ORGANIZATIONAL STRUCTURE, GENERIC COMPETITIVE STRATEGIES AND PERFORMANCE AMONG COMMERCIAL BANKS IN NAIROBI COUNTY

BY

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DECLARATION

Declaration by Candidate

This project is my original work and has not been presented for a degree in any other University. No part of this project may be reproduced without the prior written permission of the author and/or Moi University.

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DEDICATION

This proposal is dedicated to my family members; my mother Osuba Omar, my father Abdullah sheikh, my brothers and my only sister for their support and encouragement during my studies.

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ABSTRACT

Commercial banks performance can be measured on various scales just like other firms. These include profitability which comprises of return on assets, return on equity, and profit margins among others. On average the banking sector in Kenya has in the recent past performed dismally. Consequently, they have been forced to adopt strategies that would ensure they maximize returns to their shareholders, attract investors and sustain its development amidst tremendous challenges of stiff competition, substitute products and industry globalization. This study sought to analyze the effect of organizational structure on the relationship between generic competitive strategies and firm performance of Commercial banks in Kenya. The specific objectives were to establish the effect of cost leadership, differentiation and focus strategies on bank performance, as well as to analyze the moderating role of organizational structure on relationship between cost leadership, differentiation and focus strategies and the performance of Commercial banks in Kenya. The theories underpinning this study were: Porter's Theory of competitive advantage, Institutional theory, and Resource Based View theory. The study adopted explanatory research design and the target population comprised of 242 top management employees working in all 45 commercial banks operating in Nairobi. By using purposive sampling and census, the researcher had the entire population of 242 employees serving at the top management level provide information for the study. Quantitative data was collected using a questionnaire and Hierarchical multiple regression analysis was done to test the hypotheses of the study. The findings revealed that differentiation strategy ($\beta = 0.276$, $p < 0.05$) and focus strategy ($\beta = 0.364$, $p < 0.05$) had positive significant effect on the performance of commercial banks. However, cost leadership strategy ($\beta = 0.22$, $p > 0.05$) was statistically insignificant. This study also found that organizational structure has a significant moderating effect on the relationship between cost leadership strategy and firm performance ($\beta = 0.784$, $p < 0.05$). This implies that organizational structure important when applying cost leadership improving performance of commercial banks. This study recommended that commercial banks should focus on cost leadership, differentiation and focus strategies in order to maximize their performance. Specifically, they need to adopt effective organizational structures to be able to maximize cost leadership and focus strategies to achieve competitive edge. The study contributes to the existing literature and affirms Porter's theoretical view that cost leadership, differentiation and focus strategies are important components of a successful commercial banking strategy.

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ACRONYMS/ABBREVIATIONS

CLS	–	Cost leadership strategy
DS	-	Differentiation strategy
FS	-	Focus strategy
KTN	-	Kenya Television Network
OS	-	Organizational structure
ROA	-	Return on Asset
ROE	-	Return on Equity
SACCOS	-	Savings and Credit Cooperative Organizations
SPSS	-	Statistical Package for Social Sciences
VIF	-	Variance Inflation Factor

OPERATIONAL DEFINITION OF TERMS

Competitive strategies: Plan formulated and developed with the purpose of assisting a firm in performing various activities differently from its rivals (Porter, 2001).

Competition: Rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service (Leitner & Guldenberg 2009).

Competitive advantage: Competitive advantages are composed of a firm's relative value that was produced by its resources and relative resource costs for producing such value (Porter, 2001).

Firm performance: The sum of accomplishments attained by all businesses/organizations involved with an organizational goal during a given period of time with the goal either meant for a specific use or on the overall extent. This includes both operational and financial performance (Atikiya, 2015).

Financial performance: The monetary performance of a business entity normally measured in terms of a specific calendar duration such as a year. This is the capacity of a certain venture to make revenues from its use. It can also be the extent to which the financial objectives are attained (Muiruri 2015).

Return on Assets: Refers to the financial ratio that is defined as the banks' performance on finances. It is a ratio of the honorarium to the total asset (Atikiya, 2015).

Return on Equity: It refers to the amount of profit gained by an organization contrasted to the total equity of the shareholder that was invested or that which is located in the balance sheet. The shareholders expect ROE as a return for their investment (Atikiya, 2015).

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter provides the introduction to the study. It also contains the background of the study, statement of the problem, objectives of the study, hypotheses, significance and the scope of the study.

1.2 Background of the Study

Every organization today desires to realize maximum profits as well as augment shareholders' interests. The changing business environment and consumer needs make it a challenge for firms to realize desired organizational performance (Wangui, Kifleyesus and Mote 2021). Globalization has led to a rise in competition, which demands for different players to look for ways to stay competitive in the market. Competition puts pressure on the firm forcing it to be proactive in an attempt to come up with strategies that help with their competitiveness (Mwangi and Ombui 2013).

Thus, they are forced to adopt various competitive strategies essential in facilitating their performance. In order to adopt effective competitive strategies, it is essential to have a continuous scanning of both internal and external environment in order to keep abreast with environmental variables underpinning current and future business operations of the organization (Muthoka and Oduor 2014).

Thompson and Strickland (2010) on their part, define competitive strategies as consisting of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. Walker (2004) avers that competitive strategies must grow out of sophisticated understanding of rules of competition that determine an industry's attractiveness. Lester (2009) on his part argues that competitive strategies enable a firm to define its business today and tomorrow and determine the industries or markets to compete in. Jonsson and Devonish (2019) further recognize that firms that have properly planned and applied competitive strategies have a tendency to have higher performance than those that do not. Organizations usually make a choice of .adopting a competitive strategy among three options (Porter, 1985). These options are; cost leadership, differentiation and focus strategies. For an organization to adopt a cost leadership strategy for instance, its production or operational processes are expected to be efficient and effective to deliver goods/services to customers at competitive prices.

Organizations have to choose from three generic competitive approaches (Porter, 1985). These approaches are cost leadership (low cost), differentiation and focus generic strategies which are known as generic because all businesses or industries can pursue them regardless of whether they are manufacturing, service or not for profit organizations. Thus, organizations adopt generic competitive strategies as a foundation of business level strategy (Muia 2017).

According to Muiruri (2015) there is a relationship between competitive strategies and performance which encompasses three specific areas of firm outcomes; financial performance (profits, return on assets, return on investment), product market performance (sales, market share) and shareholder return (total shareholder return, economic value added). Firm performance is usually measured in different ways. These may include but not limited to shares growth rate, market share, productivity and profitability (Ichniowski *et al*, 1997).

Shares growth rate is the ratio that measures the rate of change in shares from time to time or a specified period of time. The utilization of historical growth rates is one of the techniques of estimating future growth. Market share is the percentage of a market, which may be defined in terms of either units or revenue, accounted for by a specific entity. Market share is a key indicator of market competitiveness, that is, how well an organization is doing compared to its competitors (Sagwa and Kembu 2016).Similarly, Shabbir (2017) elucidates that a firm's performance is influenced by the organizational structure that exists within the organization.

Additionally, Njiru and Nyamute (2018) opine that organizational structure positively influences firm performance if there is willingness to move away from centralized systems that involve higher levels of formality to organizational systems that facilitate higher levels of discretion. Cutting and Kouzin (2012) hold that similar opinion; that interdependence and self-management are the fundamentals of organization's task design, and exert influences on organization effects by means of such interactions as conflicts and communication.

However, Bhimani (2018) in his study cautions attempts to decentralize the decision-making structures in organizations. He argues that decentralizing decision making can often lead to a loss of control of employees at the lower levels of organizational hierarchy, resulting in dysfunctional behavior and thus inefficient use of organizational resources. This study therefore, focuses on the effect of organizational structure on the relationship between generic competitive strategies and firm performance of commercial banks in Kenya.

1.3 Statement of the Problem

Performance is the single most important factor in assessing growth potential, earnings capacity and overall financial strength of a banking institution (Richardson, 2012). The financial structure of a bank is evaluated using the following two accounting ratios namely; net loans to total assets which measures the percentage of total assets invested in the loan portfolio where the desired level for this ratio is between 70 and 80 per cent

(World Bank 2013) and nonfinancial investments to total assets which measures the percentage of total assets in nonfinancial investments (Richardson, 2012). The uncertainties present in today's economic and financial environment pose complex challenges for commercial banks and financial institutions; this has necessitated restructuring that has brought changes on organizational structures and business processes.

Similarly, commercial banks have come up with various competitive strategies to deal with the dynamics of a changing environment and to achieve competitive edge. As a result, banking sector in Kenya has remained stable and resilient despite some challenges. According to Central bank of Kenya (2020) banking sector's asset base grew by 12.4 percent in 2020, an increase from 10.1 percent growth in 2019. The increase in total assets was mainly attributed to growth in investment in government securities, loans and advances. The sector recorded strong capitalization levels as a result of retention of profits and additional capital injections. The sector's capital adequacy ratio stood at 19.0 percent in 2020, an increase from 18.8 percent registered in 2019 (CBK, 2020).

However, the sector recorded a 29.5 percent decline in profitability as a result of a higher increase in expenses by 22.8 percent as compared to an increase in income of 7.3 percent in the year 2020. This is attributed to COVID-19 pandemic which disrupted global as well as domestic economic activities (CBK, 2020). As a remedy, commercial banks have reviewed their business models for agility in the era of 'anytime anywhere' financial services as well as adoption of various competitive strategies to improve on their performance. As such commercial banks have used such strategies to maximize their returns, attract more investors and sustain its development amidst tremendous challenges of stiff competition, substitute products and industry globalization.

Many studies have been carried out on the effect of competitive strategies on a firm's performance. For instance, Atikiya (2015), looked at effect of competitive strategies on the performance of manufacturing firms in Kenya. The findings revealed that cost leadership, differentiation and focus strategies have positive significant relationship with manufacturing firm performance in Kenya. Sagwa and Kembu (2016) looked at the effects of competitive strategy on the performance of Deposit Taking SACCOs in Nairobi County, Kenya, and the findings showed that competitive strategy has a positive effect on organization performance.

In other studies, Karanja (2010) discussed competitive strategies adopted by the Standard Limited, Obiero (2008) studied Competitive strategies applied by cement manufacturing firms in Kenya and Okoth (2015) focused on competitive strategies employed by sugar manufacturing firms in Kenya. Mulaa (2014) studied competitive strategies adopted by small scale enterprises in exhibition stalls in Nairobi while Karoney (2008) dwelt on competitive strategies adopted by KTN of the Standard Group. None of these studies linked the strategies to a firm's performance. From the above studies, none of the studies looked at the moderating effect of organizational structure on the relationship between competitive strategies and performance of commercial banks in Kenya. This study therefore tried to close this gap by providing a suitable analysis in understanding organizational structure and its moderating effect on generic competitive strategies and the performance in Kenyan Commercial Banks.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study was to analyze the moderating effect of organizational structure on the relationship between generic competitive strategies and firms performance of Commercial banks in Kenya.

1.4.2 Specific Objectives

This study was guided by the following objectives:

1. To determine the effect cost leadership strategy on the performance of Commercial banks in Kenya.
2. To establish the effect of differentiation strategy on the performance of Commercial banks in Kenya.
3. To analyze the effect of focus strategy on the performance of Commercial banks in Kenya.
4. To analyze the moderating effect of organizational structure on the relationship between:

    a) Cost leadership strategy and performance of commercial banks in Kenya

    b) Differentiation strategy and performance of commercial banks in Kenya

    c) Focus strategy and performance of commercial banks in Kenya

1.5 Hypotheses

This study was guided by the following hypotheses:

H_{01}: Cost leadership strategy has no significant effect on the performance of commercial banks in Kenya.

H_{02}: Differentiation strategy has no significant effect on the performance of commercial banks in Kenya.

H_{03}: Focus strategy has no significant effect on the performance of commercial banks in Kenya.

H_{04}: Organizational structure has no significant moderating effect on the relationship between:

a) cost leadership strategy and performance of commercial banks in Kenya

b) differentiation strategy and performance of commercial banks in Kenya

c) focus strategy and performance of commercial banks in Kenya

1.6 Significance of the Study

The findings of this study provide vital information for top management of commercial banks in Kenya with regard to the competitive strategies and their importance in creating a sustainable competitive edge. It will help them to determine whether the perfection of organizational structure with the application of competitive strategies is adequate to enable an institution create a defendable position in the long run and outperform its competitors. Further, the study will assist the regulators and other policy makers in identifying the key challenges in the external environment and coming up with strategies that will lead to improved performance of the firm. This will in turn help banking institutions in identifying and understanding the external environment and competitive strategy that can be applied to ensure both superior performance and competitive advantage.

The study hopes to add into the body of knowledge of theories of competitive advantage by exploring effect of organizational structure on competitive strategies and performance of commercial banks. The study may also be helpful to academicians who will use this study as a source of reference. The findings of this study can be compared with strategic management practices in other sectors to draw conclusions on various ways a firm can respond to competitive forces in the environment and achieve superior performance.

1.7 Scope of the Study

This study focused on moderating effect of organizational structure on generic competitive strategies and firm performance of commercial banks in Kenya. There were a total of 45 commercial banks in Kenya and these were the target for this study. Data was collected from the top management employees of the selected banks. The study focused on the following variables: organizational structure (moderating variable); cost leadership strategy, differentiation strategy, focus strategy (independent variables) and firm performance as dependent variable. This study was carried out in the months of November to January 2023.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of literature from various scholars on the concepts of organizational structure, competitive strategies and firm performance. It also gives theoretical review, empirical review on the moderating effect of organizational structure on the relationship between generic competitive strategies and firm performance, research gaps to be filled by the study, and the conceptual framework.

2.2 Concept of Firm Performance

High performing organizations have remained focused not only in perfection of organizational operations but also to ensure better employee performance. Armstrong (2006) defined performance as the achievement of quantified objectives. Performance is a function of both ability and motivation; therefore, to unlock the true potential of employees, managers must align their jobs to organization's goals, values and objectives (Anitha, 2014). Hult *et.al*, (2018) defined firm performance as the efficiency and effectiveness in utilization of resources as well as the accomplishment of firm goals through core strategies.

According to Barney (2011), the concept of firm performance is grounded on the idea that a firm is the interaction of productive resources for the purpose of creating value. Therefore, as long as the firm creates a value that meets or exceeds the value that its providers expect, resources will continue to be made available and the firm will continue to survive and prosper (Gavrea, Ilies & Stegerean, 2011). Similarly, Richard and Bromley (2009), elucidate that organizational performance encompasses three specific areas of firm outcomes: financial performance for example profits, return on assets and return on investment; product market performance (such as sales, market share,); and shareholder return for example total shareholder return.

Some of the financial measures are revenue, return on equity, return on assets, profit margin, sales growth, capital adequacy, liquidity ratio and stock prices, while non-financial indicators include market share, customer base, growth, production efficiency, customer service, employee motivation and satisfaction among others (Kabetu, & Iravo, 2018). Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Surabhi & Rajesh, 2020). Combining both financial and non-financial measures (which include employee performance) enables organizations to gain a broader perspective on determining the overall performance (Salvador, Simões & Soares, 2016).

According to Richard, Devinney, Yip, and Johnson (2009), operational performance focuses on the extent to which an organization is efficient in producing goods and services that customers really want at the lowest cost and effort as possible. Environmental performance measures performance in terms of the number of resources firms use for their operations (such as energy, land, water) and the by-products of their operations (such as solid waste, air pollution, and chemical residues) (Gross, 2015). Social performance measures performance in terms of the impact that firms have on the communities in which they operate (Taouab & Issor, 2019). Thus, this study adopts profit growth, customer satisfaction, employee satisfaction, environmental stewardship, corporate governance, and social excellence as indicators of firm performance.

Financial performance measures play a paramount role in the productivity and efficiency of business enterprises. Notwithstanding, financial measures alone cannot sustain a business without the aid of non-financial performance measures (Gunday *et* *al*. 2011). Performance measures are ways in which the efficiency and effectiveness of actions may be quantified to provide meaning and indication of failure or growth (Neely *et al.* 2012). However, Johnson and Kaplan (1987) argue that traditional financial performance measures are losing relevance to modern organizations and needed to produce an effective evaluation of products that would meet customer demands and contribute to an efficient production process and distribution to measure organizational performance.

Measures of financial performance according to Copisarow, (2010) are subjective measures of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Murira 2014). The reason behind this inability to finance viable ventures is closely associated with a high amount of money that is held up in bad debts. This situation makes commercial banks to register low revenues and this in turn leads to poor financial performance (Asantey & Tengey, 2014).

Banks' financial performance is undoubtedly coming under pressure from higher impairment charges, linked to a deterioration in asset quality (partly due to high rates of loan loss provisioning, typically more than 100% of loans in arrears more than 30 days), stagnant/negative loan portfolio growth and higher funding costs (Murira 2014). Absence of loan growth in an environment of reduced new lending (driven by lower demand but also by banks' more stringent lending criteria) can be quite rapid for banks, given that the majority of their loans are annuity loans with monthly principal repayments, although this acts as an important source of internally generated liquidity (Bobáková, 2013).

Financial performance is the single most important factor in assessing growth potential, earnings capacity and overall financial strength (Richardson, 2012). The financial structure of the financial institutions is evaluated using the following two accounting ratios namely; net loans to total assets which measures the percentage of total assets invested in the loan portfolio where the desired level for this ratio is between 70 and 80 per cent (World Bank 2013) and; nonfinancial investments to total assets which measures the percentage of total assets in nonfinancial investments. The uncertainties present in today's economic and financial environment pose complex challenges for commercial banks and financial institutions.

2.3 Concept of Generic Competitive strategies

A competitive strategy is the search for a favorable competitive positioning in the industry (Perera, Harrison and Poole 2012). It is concerned with how a firm can gain advantage through a distinctive way of competing (Kaplan and Norton 2001). Competitive strategies aim at establishing a profitable and sustainable position against the forces that determine industry competition (Gupta and Somers 1996). According to (Porter, 1980), developing a competitive strategy is coming up with abroad formula on how business is going to compete, what its goal should be and what policies would be needed to carry out these goals. He observed a competitive strategy as a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. He further points out that the intensity of competition in an industry is rooted in its underlying economic structure and goes well beyond the behaviour of current competitors.

Strategy is a set of decisions and actions that managers make and take to attain superior company performance compared to rivals (Parthasarthy, 2018). A competitive strategy comprises of business ways to deal with draw in clients by satisfying their desires, withstand competitive and fortify market position. Cook (2017) notes that this is accomplished by discovering approaches to utilize assets and capacities to separate a firm from competitors. There are different types of strategies that firms use, these are strategic alliances, differentiation, cost focus, market penetration, and diversification. As indicated by Cole (2008) competitive advantage is a favourable position obtained over rivals by offering clients more prominent value, either through lower costs or by giving extra advantages and services that legitimize comparable or potentially higher prices.

Dess *et al*. (2017) explains that competitive strategies are aimed at picking up favorable position as compared to its competitors by availing to purchaser's goods and services of high quality either lowering purchasing costs or by rewarding more benefits in the products and services that legitimize higher prices. Sidorwicz (2017) opines those competitive strategies as more aptitude based and include vital considering, advancement, execution, basic considering, situating and the craft of warfare. Competitive strategies of a firm should address the core business of the firm. The intensity of competition in an industry determines its profit potential and competitive attractiveness hence strategy should be able to spell out how the organization responds to the competitive forces in this industries or markets (Porter 1990).

Thompson *et al*., (2007) add that competitive advantage is the key to above average profitability and financial performance. He further reiterated that, this is because strong buyer preferences for a company's products translate into higher sales volumes or ability to command higher prices, thus driving up earnings, return on investments and other financial performance indicators. Management systems have to be tailored explicitly to support the strategy of the business to lead to competitive advantage and superior performance. Thus, competitive strategies are the basis in which business organizations achieve competitive advantage in the market place.

2.4 Organizational Structure

In the organizational setup, organization structure defines who has responsibility for what roles as well as documenting the reporting lines within the organization. It divides the entire organization into distinct parts, functions and defines the relationships among the various teams (Tavitiyaman, Zhang, and Qu, 2014). The organization structure defines the chain of command and resources accountability. Designing the structure of an organization goes beyond the definition of the relationships among the parts, but also shows the resources and systems needed to support performance within the organization. The appropriate structure should therefore facilitate proper coordination of organizational processes to achieve the set goals of the organization (Mansoor, Aslam, Barbu, & Carpusneanu, 2012).

Karlsson (2012) argued that the success of business organizations depended largely on building a clear shared vision among management and all the employees and that this is at all times fostered by the organization structure. She further posited that the vision must be communicated with clarity, continuity and consistency across the entire organization's hierarchies. Maduenyi, Oluremi, and Fadeyi (2015) opined that the organizational structure has a direct impact on both financial and non-financial performance within an organization. Kasper and Muehlbacher (2012) argued that many businesses ought to persistently alter their organizational structures to achieve superior performance in the marketplace. Therefore, ideal organizational structure should create a good recipe for superior performance over their peers in the industry.

In order for business organizations to consistently succeed in meeting their customers' needs and attaining their strategic objectives, there is a necessity for such organizations to constantly change the approaches to the organization of work and resources which consequently leads to organizational change (Biloslavo, Bagnoli, and RusjanFigelj, 2013). Jens, Khalid and Hassan (2014) argued that an organization that can embrace a blend of multiple structures at the same time will always tend to maximize aggregate performance outcomes compared to their peers in the marketplace who fail to embrace the dynamic organizational structures that are aligned to the market needs and the complexity of their business organizations.

Damanpour (1991) posited that organizational structure can also be used to relate to the nature and extent of formalization, layers of hierarchies, and levels of horizontal integration, centralization of authority as well as communication patterns within the organizations' set up. It therefore features that organizational structure refers to the way power and responsibilities are allocated and work procedures executed within an organization and these work procedures have a direct impact on the organization's performance outcomes. Thus, organizational structure is also described as the continuous arrangement of organizational tasks and activities within a system with clear goals (Mahmoudsalehi and Safari, 2012).

They proceeded to define organizational structure as a formal allocation of work responsibility and administrative mechanism to control and integrate work activities within an organization. Akinyele (2011) also argued that the type of organizational structures and strategies adopted by oil and gas marketing companies in Nigeria had exhibited that it affected their market share growth positively within the industry compared to their peers in the market. The key dimensions of organization structure which include decision making processes, span of control, and communication systems to have direct impact on organizational performance.

2.5 Cost leadership strategy

Cost leadership strategy focuses on gaining competitive advantage by having the lowest cost and cost structure. It hinges on a company's ability to lower costs of production to offer quality products at low prices (Harris and Ogbonna 2012). It is an effective strategy for large companies with lots of buying power, but it is less effective for small businesses. Thus, it is a business-level strategy employed by companies who wish to gain a competitive advantage by being the lowest-cost producer of a service, production process, or commodity.

Offering products at the lowest cost available is a strategy businesses often use to stimulate growth. A company is more competitive when it can offer its products at a lower price. To do this, an organization needs to develop a cost leadership strategy. Thus, cost leadership occurs when a company is the category leader for low pricing. To successfully achieve this without drastically cutting revenue, a business must reduce costs in all other areas of the business, such as marketing, distribution and packaging. A cost leadership strategy is a company's plan to become a cost leader in its category or market.

2.6 Differentiation Strategy

A differentiation strategy is an approach businesses develop by providing customers with something unique, different and distinct from items their competitors may offer in the marketplace strategies (Astebro and Michela, 2011). The main objective of implementing a differentiation strategy is to increase competitive advantage. A business will usually accomplish this by analyzing its strengths and weaknesses, the needs of its customers and the overall value it can provide.

Differentiation strategy involves the development of unique products that differ significantly from those of competitors. By doing so, a company can convince customers to accept higher price points, which in turn results in higher margins. This strategy requires that a company continually invest in enhancing its products, so that it always maintains an edge over its rivals in the features being offered to customers. To be successful with the differentiation strategy, a company must have a top-tier team of product designers and marketing personnel, as well as high-quality products and services. It must also have a heavy investment in branding, so that the targeted customers will recognize the products that the company has developed for them.

2.7 Focus Strategy

A focus strategy is a method of developing, marketing and selling products to a niche market, which could be a type of consumer, product line or geographical area. A focus strategy would center on the expansion of marketing tactics for your company while aiming to establish a new relationship with your target audience (Davidson, 2011).

Focus strategy by Porter (1985), opined that a company cam aim to serve the customers in a narrow market segment through low cost or differentiation. Thompson *et al.*, (2018) declare that a focused strategy aims at securing a competitive edge based on either low cost or differentiation which has become increasingly attractive to many companies as long as the following conditions are met.

The target market niche is big enough to be profitable and offers good growth potential; industry leaders do not see that having a presence in the niche is crucial to their own success and that it is costly or difficult for multi segment competitors to put capabilities in place to meet the specialized needs of buyers comprising the target market niche and at the same time satisfy the expectations of their mainstream customers.

2.8 Theoretical Review

This study is grounded on a number of theories, namely: Porter's Theory of competitive advantage, Institutional theory, and Resource Based View theory.

2.8.1 Porter's Theory of competitive advantage

The study was guided by Porter's theory of competitive advantage (1980), which identifies five competitive forces namely: Potential entrants, Buyers, Substitutes, Suppliers and Industry competitors that define the rules of competition in an industry. He notes that, the goal of competitive strategy for a business unit in an industry is to find a position in the industry where the company can best defend itself against these competitive forces or can influence them in its favor (Porter, 1990). Therefore, the essence of formulating competitive strategy is to relate a company to its environment. Knowledge of these underlying sources of competition pressure highlights the critical strengths and weaknesses of the company, animates its positioning in its industry, clarifies the areas where strategic changes yield the greatest pay off and highlights the areas where industry trends promise to hold the greatest significance as either opportunities or threats (NegriţoiuMişu, 2013).

For competitiveness and sustainable advantage, organizations should endeavor to create value for customers which are only possible by responding with faster answers to the ever changing business environment driven majorly by technological changes. Porter however, does not include technology and government as forces that may influence competition in an industry which can be understood in isolation of the five forces

(Porter, 2012). Porter's Theory of Competitive Advantage is an influential model that provides a comprehensive framework for understanding the sources of a firm's competitive advantage.

The theory suggests that a firm can achieve a sustainable competitive advantage by choosing a focus strategy, which involves concentrating its resources and efforts on a particular segment of the market. This focus strategy can enable a firm to better understand and serve the needs of its target customers, create differentiated products and services, and develop a cost advantage through economies of scale and learning. By understanding the sources of competitive advantage, a researcher can identify the key factors that may have a positive or negative impact on the firm's performance when it adopts a focus strategy. For example, researchers can examine how access to specialized resources, the ability to create differentiated products and services, and cost advantages influence the firm's overall performance.

Additionally, researchers can explore how certain strategies, such as leveraging economies of scale, can help the firm gain a competitive edge. By understanding the impact of these strategies, researchers can provide valuable insight into how firms can effectively use focus strategies to improve their performance. Thus, this theory instigates the first research objective: To determine the effect of focus strategy on firm performance of commercial banks in Kenya.

2.8.2 Institutional Theory

Institutional theory by Meyer and Rowan (1977) is a widely accepted theoretical posture that emphasizes organizations as social cultural systems. It focuses on the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemes; rules, norms, and routines as authoritative guidelines for social behavior (Arneson, 2011). This theory is concerned with organizational structures and how they influence the flow of information that plays an important role in strategy implementation (Mansoor *et al*., 2012). The complexity of reporting structure affects the way information relevant for strategy implementation flows hence negatively affecting strategy implementation (Scott, 2011).

The set of formal rules in terms of policies and procedures developed in an organization determines how the information flows and the actions to be undertaken by staff in case of an incident of a particular nature occurring. These structures in an organization create expectations among different stakeholders (employees included) in strategy implementation in an organization that determine how actions are undertaken thereby influencing final product of strategy implementation. Bonner (2010) suggested that, in order to formulate a compensation policy senior manager should understand all norms and traditions of the organization. The theory explains the deeper and more resilient aspects of social structure, processes, schemes, rules, norms and routines that have become established as authoritative guidelines for social behavior. It looks at how these elements are created, diffused, adopted and adapted over space and time, and how they fall into decline and disuse. Institutional networks are not merely control and co-coordinating mechanisms for economic transactions, they socially construct rules and beliefs for conformity and reward.

Thus, institutions set out in an organization determine what is acceptable and whatever is not acceptable in an organizational setting. This therefore determines how organizations implement the competitive strategies and strategic plans geared towards improving performance. This theory suggests that organizations exist in a broader context of social and institutional forces, and that the structure of the organization is influenced by these external factors. It suggests that the structure of the organization is shaped by the norms and values established in the external environment. It also suggests that the structure of the organization affects the way the firm performs in terms of efficiency, effectiveness, and profitability.

Thus, this study can be informed by Institutional Theory by examining the nature of the external forces influencing the structure of the organization. This includes looking at the types of social and institutional pressures that shape the organization, such as the role of the government, the influence of the media, and the influence of stakeholders. Additionally, the study can examine the types of organizational structures that are most conducive to performance, such as hierarchical structure, matrix structure, or team-based structure. Finally, the study can examine how changes in the external environment, such as the introduction of new technology, can influence the structure of the organization and its performance. Therefore, this theory is important for this study because it helps explain the role played by organizational structure policies, procedures, laws and other internal operational procedures on the implementation of competitive strategies within business organizations.

2.8.3 Resource-Based View Theory

The resource-based view of the firm (RBV) by Penrose (1959) draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. During the early strategy development phase of Hoskisson's account of the development of strategic thinking (Hoskisson *et al*, 2011), the focus was on the internal factors of the firm. From the 1980s onwards, according to Furrer *et al*, (2008), the focus of inquiry changed from the structure of the industry, for example Structure-Conduct-Performance (SCP) paradigm and the five forces model to the firm's internal structure, with resources and capabilities (the key elements of the Resource-Based View (RBV). Since then, the resource-based view of strategy (RBV) has emerged as a popular theory of competitive advantage.

Prahalad and Hamel (2012) established the notion of core competencies, which focus attention on a critical category of resource – a firm's capabilities. Barney (2011) also argued that the resources of a firm are its primary source of competitive advantage. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile; valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 2011). If these conditions hold, the bundle of resources can sustain the firm's above average returns.

Thus, to be competitive, a firm's resources must be: valuable (resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses); rare (resource must be rare by definition and of expected discounted future above-average returns); inimitable (competitors are not able to duplicate this strategic asset perfectly); and, non-substitutable (if competitors are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents) (Amit and Schoemaker, 2013).

This theory suggests that a firm's performance is determined by the resources it has available, including tangible assets such as financial resources and intangible assets such as knowledge and skills. Therefore, when studying the effect of differentiation strategy on firm performance, the resources and capabilities of the firm should be taken into account. This could include the ability of the firm to develop and execute a differentiated strategy, the resources it has available to invest in differentiating itself from its competitors, and the expertise of its managers in developing and implementing a successful differentiation strategy. By focusing on the firm's resources and capabilities, the Resource-Based View Theory helps to explain how a firm's performance is affected by its differentiation strategy. This theory instigates the third research objective: To establish the extent to which differentiation strategy affects firm performance of commercial banks in Kenya.

2.8.4 Balanced Score Card (BSC) model

The Balanced Score Card (BSC) model by Kaplans and Norton (2001) is a management system or model that firms adopt while putting their vision and strategy into practice. In order to consistently enhance organizational performance and outcomes, it also offers feedback on both internal business processes and external results. The financial stability of a firm is an indication of a good performance; however, according to advocates of the balanced scorecard, it is uneven and has some drawbacks. Financial data may not accurately reflect an organization's current situation or what is likely to happen to it in the future because: 1) they typically reflect an organization's past performance; and 2) it is not unusual for an organization's current market value to exceed the market value of its assets.

Financial ratios provide how a company's assets stack up against its market worth. Intangible assets are frequently defined as the difference between an organization's market value and the present market value of its assets. In order to handle the demands of key stakeholders and put strategies into practice, Kaplan and Norton offer the Balanced Scorecard as a tool for organizations (from strategy to action). Shareholders, customers, or employees are examples of stakeholders who may be strategically important. Their expectations are taken into account by businesses' core management from a financial, customer, learning, or process standpoint. Relevant strategic goals, indications, and means of achieving them are included in each perspective. It should be emphasized that the idea is still open to including more pertinent stakeholders or perspectives, such as an environmental one (Kaplan and Norton 2001).

Kaplan and Norton affirmed that businesses lacked sophisticated instruments for the management of intangible or qualitative assets when they created the BSC (e.g. customer satisfaction, processes quality, infrastructures, know-how). However, it appears that intangible assets are essential to maintaining competitiveness in the future. In order to illustrate the effectiveness and efficiency of past measures, the Balanced Scorecard offers "enablers" that concentrate on the future attainment of strategic goals as well as results (lagging indicators). Typically, a strategy can be seen as a collection of cause-and-effect hypotheses. Therefore, a BSC reveals this structure of causal links by connecting the pertinent goals and accompanying indicators which informs firm performance.

The Balanced Scorecard (BSC) model is a strategic performance management tool used to measure the success of an organization. It consists of four perspectives, namely financial, customer, internal business process, and learning and growth. The model provides a comprehensive view of an organization’s performance by focusing on the relationships between these four perspectives. The BSC model can be used to inform a study on firm performance by providing an analytical framework which can be used to assess the success of the firm.

The model allows the analyst to assess the firm’s performance in each of the four perspectives, providing a holistic view of the firm’s overall performance. This information can then be used to identify areas of improvement and areas of strength. The BSC model can also be used to measure the effectiveness of strategies implemented by the organization. This can help the analyst to determine which strategies are working and which ones need to be improved or modified. Finally, the BSC model can be used to track progress over time. By monitoring changes in the firm's performance in each of the four perspectives, the analyst can gain insight into the effectiveness of the firm's strategic decisions and the progress being made towards its goals.

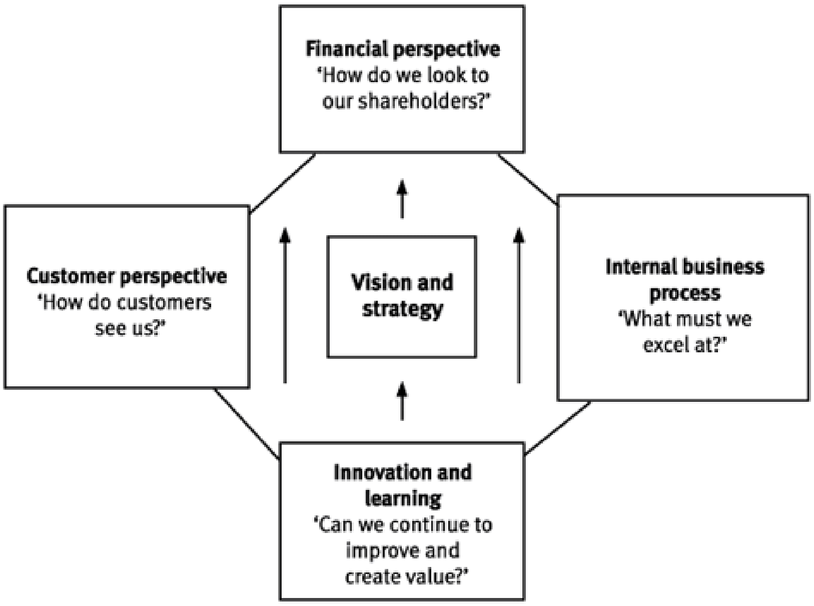

Figure 2.1: Balanced Score Card
Source: (Kaplan and Norton 2001)

2.9 Empirical Literature Review

The existing literature reflects a relationship between competitive business strategy and performance measures in various dimensions (Olson and Slater, 2012). Each strategy is unique and requires different types of performance measures. Defender and prospector firms are competitive strategies classified by Miles and Snow (1978). Defender firms tend to use financial measures, while prospector firms prefer to use non-financial measures. A defender is a survivor whose main aim is to protect its current business and focus on manufacturing existing designs more efficiently through competitive pricing. A prospector firm continuously explores and exploits new products or market opportunities to achieve high growth. Prospector firms tend to take a differentiation strategy and cost leadership seems more likely to be taken by defender firms. Thus, a firm with a differentiation strategy may prefer to use non-financial measures and a cost leadership firm tends to use financial measures. In testing different types of strategy and firm performance, Simons (1990) finds that defender firms tend to rely more on financial measures such as short-term budgets to compensate their managers.

Olson and Slater (2012) find that the high-performing and low-cost defenders place greater emphasis on financial perspective and less emphasis on customers and innovation and growth perspectives. However, they find that prospectors, high-performing analyzers, and high-performing differentiated defenders, place greater emphasis on non-financial perspectives. Similarly, Gosselin (2015) finds that defenders seem to use non-financial measures less frequently in Canadian manufacturing firms. A study in the Greek manufacturing sector by Spanos*et al.,* (2014) found that hybrid strategies were preferable to pure strategies. Pertusa – Ortega *et al*., (2009) examined the viability of hybrid competitive strategies which combine differentiation and cost elements among Spanish firms and findings indicate that a large number of the firms use different types of hybrid strategies and those strategies are associated with higher levels of firm performance. Abidin *et al.,* (2014) analyzed competitive strategy and performance of quantity surveying firms in Malaysia and their findings indicated that the quantity surveying firms preferred differentiation strategies and growth strategies. For small and medium firms, the differentiation strategy enabled them to achieve the highest business performance and for large firm's differentiation provided positive improvement in the number of projects in hand.

Cahit *et al.,* (2016) conducted a study on competitive strategies, innovation and firm performance among Turkish manufacturing companies. Their findings showed that strategies such as cost leadership and differentiation can lead to innovation which in turn increases the performance of a firm. Likewise a study by Oyedijo (2012)on the competitive strategy orientations of small and medium Business owners and their performance impacts on the paint manufacturing SMEs in South – Western Nigeria found a significant difference between the performance of firms that used differentiation and low cost performance impacts on the paint manufacturing SMEs in South – Western Nigeria found a significant difference between the performance of firms that used differentiation and low cost strategies as pure or standalone strategies and the performance of firms that used the two strategies together.

Oyedijo (2012) found that firms using mixed strategies performed better than those using standalone strategies on all the three performance parameters of total income / revenue growth, customer complaints and sales growth. Arasa and Gathinji (2014) studied the relationship between competitive strategies and firm performance suing a case of mobile telecommunication companies in Kenya. The study findings indicated that product differentiation and cost leadership are the most commonly used strategies and that the market focuses strategy contributed most to the performance of the firms while the strategic alliance strategy contributed the least.

2.9.1 Effect of Cost leadership on Firm performance

In the industry (Porter, 2012) in order the organization must be willing to discontinue any activities in which they don't have a cost advantage and may outsource activities to other organization that have a cost advantage (Malburg, 2012). Cost leaders work to have the lowest product or service unit cost and can withstand competition with their lower cost structure. Miller (2014) adds that when a firm can achieve and sustain cost leadership then it will be an above industry performer.

Wagner *et al.* (2013) further says that cost leaders take a number of cost saving actions including building efficient scale facilities, tightly controlling overhead and production cost. Porter (2012) indicated that firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share. By lower prices higher demand is created and, therefore a larger market share is attained (Helms *et al.,* 2012).As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market (Hyatt, 2012).

2.9.2 Effect of Differentiation Strategy on Firm performance

Harris and Ogbonna (2012) assert that the major retailers try to differentiate themselves from competitors on customer services. There are four types of competitive strategies: product (variety in brands and sizes), amount of promotion (advertising and in-store promotions), promotion effectiveness and customer service. Banks like any other firms operate in a competitive environment and thus strive to provide the superior value to customers through many ways such as unique product features, higher quality, or all-round complementary services.

Differentiation is found throughout the economy. Within most banks, one may find a wide range of differentiated products. Dozens of different products have many small and sometimes large differences. Product differentiation is often employed in many business firms where buyers often appreciate the ability to select from a wide variety of product offerings in order to be able to select that particular product that best suits their preferences (Ellis and Kelley, 2014).

2.9.3 Effect of focus Strategy on Firm performance

According to Ochodo, Oloko and Yabs (2020) focus strategy directs its efforts to a particular market segment, which is, attending to a segment more efficiently and effectively than the competitors. The strategy can be employed in a dual application of cost leadership or differentiation strategy aimed towards a narrow, focused market. Benefits associated with focus strategy include having power over buyers since the firm may be the only source of supply. Customer loyalty also protects the firm from new entrants and substitute products. The firm adopting focus strategy can easily stay close to customers and monitor their needs.

However, the disadvantages involved in focus strategy include being at the mercies of powerful suppliers since such a firm will buy in smaller quantities, which translate to higher production cost leading to loss of economies of scale (Tromstedt and Haapasalo, 2012).A firm using a focus strategy often enjoys a high level of customer trustworthiness, and this entrenched loyalty discourages other firms from competing directly. Organizations pursuing focus strategy tend to have narrow market niche, and hence lower volumes leading to low bargaining power with their suppliers. However, business adopting the differentiation focused strategy may be able to pass the premium cost on to customers since close substitute products do not exist. Some risks of focus strategies include simulation and changes in the target segments (Pearce and Robinson, 2008).

2.9.4 Organizational structure and Firm performance

Organizational structure holds an important role on the performance of an organization. Hao, Kasper, and Muehlbacher (2012) defined organizational structure as the organization’s formal reporting relationships, allocation of responsibility framework as well as procedures that are carried out among and by the organizational members and components to achieve strategic objectives within the company. Organizational structure is also described as the continuous arrangement of organizational tasks and activities within a system with clear goals (Mahmoudsalehi and Safari, 2012).

Akande and Ojokuku, (2018) described organizational structure as a group of people occupying a formal structure of position to achieve a particular purpose. They are institutions that enable society to pursue goals that could not be achieved by individuals' action alone. An organization is generally defined as a structure of relationships to get work done. It is a social system involving interpersonal relationships. Nwugballa, (2011) was of the view that establishment of an organizational structure presupposes the absence of a sole-proprietorship. It also assumes a level of operation that requires the joint effort many persons to successfully execute. This underscores the need to specify the different tasks that should be carried out by different individual job (job descriptions), how it should be carried out (operating procedures), expected standards of performance, line of authority, etc., in order to avoid confusion and conflict. It also requires the relationships and interactions between jobs; system of integration and coordination that would ensure organizational cohesion and, effective and efficient operations. Simply put, organizational structure defines the formal division, grouping, and coordination of job tasks (Robbins, 2015).

Maduenyi, Oluremi, & Fadeyi (2015) in their study on impact of organizational structure on organizations performance concluded that the organizational structure has a direct impact on both financial and non-financial performance within an organization. Hao, Kasper, & Muehlbacher (2012) in their study of organizational structures of corporations in Austria and China found that organizational structure influences performance both directly and indirectly. They further argued that many businesses ought to persistently alter their organizational structures to achieve superior performance in the marketplace.

Achieving superior business excellence is critical objective of many business organizations, and effective strategy formation and implementation have been identified as the key elements that must align with the organizations' structure at all instances (Tavitiyaman, Zhang, & Qu, 2012). Mansoor *et al*. (2012) argued that the performance effect of an organizational structure strategy change is moderated by changes in the business environment and they arrived at a conclusion that to attain the desired level of superior performance by an organization compared to their peers in an industry, adequate attention is required to have the structure to remain aligned at all times to the prevailing environment's dynamics.

In their conclusion they stated that an ideal organizational structure should create a good recipe for superior performance over their peers in the industry. In order for businesses organizations to consistently succeed in meeting their customers' needs and attaining their strategic objectives, there is a necessity for such organizations to constantly change the approaches to the organization of work and resources which consequently leads to organizational change (Biloslavo, Bagnoli, and RusjanFigelj, 2013).

Therefore, organizational structure has an influential role in determining firm performance (Chen, 2016). It is therefore essential for firms to have an effective organizational structure in place in order to maximize their performance. Studies have found that organizational structure has a significant impact on firm performance (Chen *et al*., 2016). Furthermore, organizational structure can also help firms allocate resources more effectively, which can result in improved performance (Porter, 2017). Organizational structure also affects the way in which firms interact with their external environment (Kostova *et al*., 2016). A well-structured organization can be better equipped to respond to external changes such as market trends, customer demands, and technological advancements (Lee et al., 2017). This can help firms remain competitive in their industry and ultimately improve their performance.

2.10 Literature Gaps

By looking at various empirical literatures, it is clear that several authors have done studies on the effects of competitive strategies and firm performance of Commercial banks in Kenya. For instance, Spanos *et al.,* (2014) in studying Greek manufacturing sector, found that hybrid strategies were preferable to pure strategies. Pertusa – Ortega *et al*., (2009) examined the viability of hybrid competitive strategies which combine differentiation and cost elements among Spanish firms and findings indicate that a large number of the firms use different types of hybrid strategies and those strategies are associated with higher levels of firm performance.

Abidin *et al.,* (2014) analyzed competitive strategy and performance of quantity surveying firms in Malaysia and their findings indicated that the quantity surveying firms preferred differentiation strategies and growth strategies. Cahit *et al* (2016) conducted a study on competitive strategies, innovation and firm performance among Turkish manufacturing companies and found that strategies such as cost leadership and differentiation can lead to innovation which in turn increases the performance of a firm. A study by Oyedijo (2012) on the competitive strategy orientations of small and medium Business owners and their performance, found significant difference between the performance of firms that used differentiation and low cost performance.

Consequently, there was sufficient empirical evidence to show a strong link between competitive strategies and firm performance from the reviewed literature. However, there was no single study that was to establish moderating effect of organizational structure on the relationship between competitive strategies and firm performance in banking sector. Thus, this study tries to close this gap by looking at the implication of organizational structure on cost leadership strategy, differentiation strategy, focus strategy and their influence on firm performance in commercial banks in Kenya.

2.11 Conceptual Framework

After theoretical review and elaborate literature review, a conceptual framework is coined to show variables involved in the study. A conceptual framework is an illustration that shows particular variables in this study connect with each other. In this study, the independent variable is; cost leadership strategy, differentiation strategy and focus strategy. The moderating variable is organizational structure while dependent variable is firm performance. Thus, the diagram below, shows a diagrammatic illustration of these variables relate together.

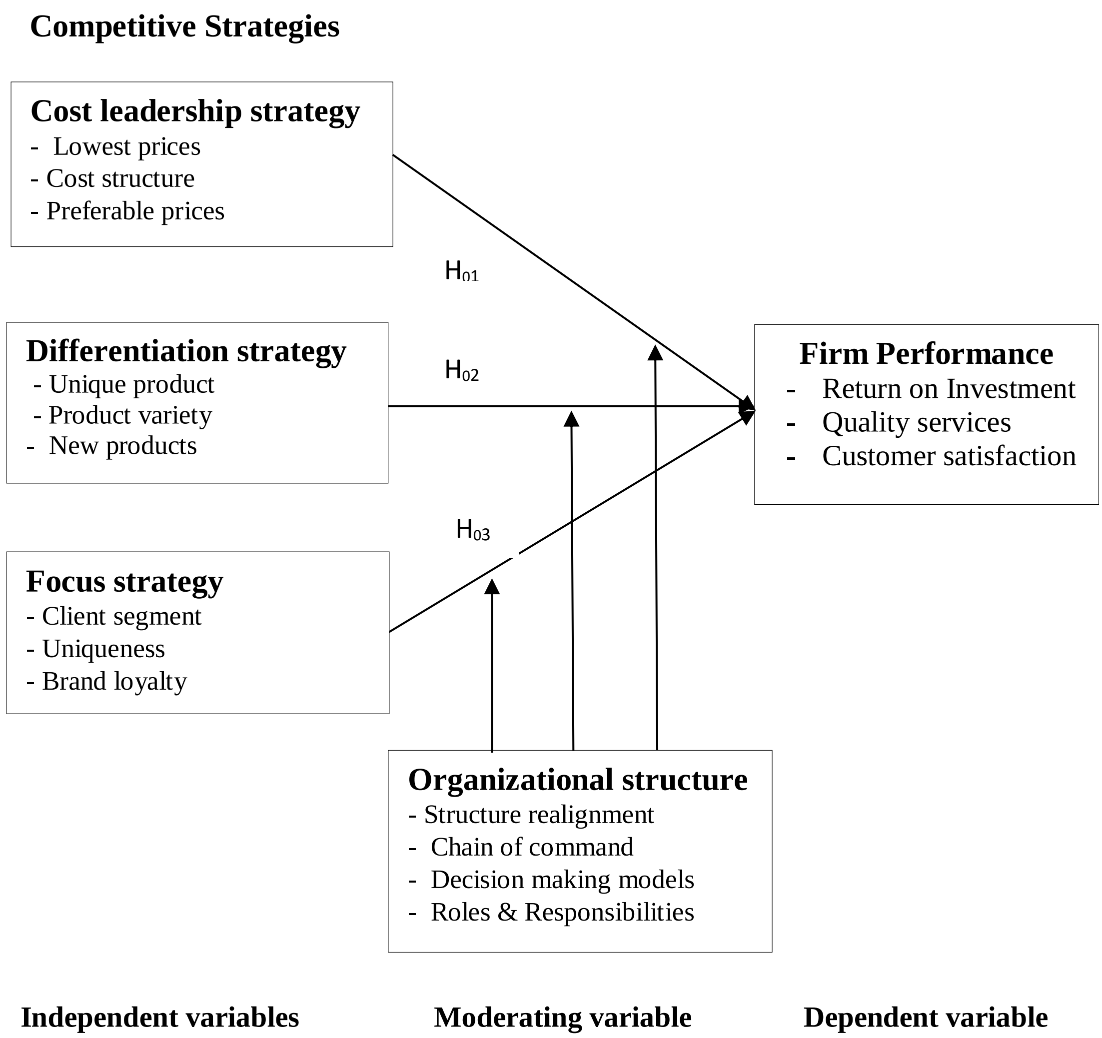

Figure 2.2:Conceptual Framework

Source: (Author, 2022)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights information relating to the research methodology that guided the researcher. It includes the appropriate research design to be adopted, the target population of this study, the sample size and sampling techniques that was employed, the research instruments and data collection methods used, testing of validity and reliability of the instruments, data analysis techniques that were applied as well as ethical considerations to be observed during the research.

3.2 Research Design

According to Kothari (2004) research design is a plan for collecting and utilizing data so that the desired information can be obtained with sufficient precision or so that the hypothesis can be tested properly. This study adopted explanatory research design. It was quantitative because empirical data was used to determine correlation coefficient between variables and perform non-parametric tests in order to test the validity of the null hypothesis postulated in early chapters of this study. This design is more appropriate as it enables respondents to give their relevant information on the issues of interest to the study (Cooper & Schindler, 2011). This research design was used since it enables the researcher to observe the respondents in their natural setting without manipulating their environment.

3.3 Study Area

This study took place in Nairobi mainly focusing on the commercial banks operating in the Nairobi CBD. Therefore, the study area was limited to the geographical boundaries of Nairobi City County. The industry of focus was banking sector. The study was carried out in Nairobi because it was the only city with head offices of the selected commercial banks in Kenya, and therefore, having directors and managers that provided pertinent information for the study.

3.4 Target Population

Population is a well-defined or set of people, services, elements, and events, group of things or households that are being investigated (Mugenda and Mugenda 2003). Population refers to the total collection of all the elements about which the researcher wishes to make inference (Cooper and Schindler, 2011). The population of this study therefore included commercial banks operating in Nairobi CBD. According to the Central bank of Kenya there are a total of 45 commercial banks fully registered and operating in Nairobi City. This formed the population of the study (See appendix I). More specifically, the unit of analysis in this study were 242 top managers which comprises of Directors, Branch managers, Operations managers, Finance managers, Credit managers, Risk and compliance managers in all 45 commercial banks as elaborated in table 3.1 below.

Table 3.1: Target population

S/no	**STRATA**	**POPULATION**
1.	Directors	17
2.	Branch managers	45
3.	Operations Managers	45
4	Finance managers	45
5.	Credit managers	45
6.	Risk and Compliance managers	45
	TOTALS	**242**

Source: Commercial Banks, (2023)

3.5 Sampling Procedure

According to Oso and Onen (2005) a sample is a few elements selected from a population to represent the larger population. The sample size is a subset of the population that is taken to be representatives of the entire population. There are 45 commercial banks operating in Nairobi CBD from where a sample was drawn. Using stratified sampling procedure, the researcher categorized the top managers based on their roles and departments they serve (as shown in table 3.1 above) to provide crucial information according to the objectives guiding the study. It was estimated that there are two hundred and forty-two (242) top managers in all the 45 commercial banks. By using census, all 242 top managers constituted the sample in this study.

3.6 Data Collection and Research Instruments

3.6.1 Data Types and Sources

This study utilised primary data. This study used a 5 Likert scale questionnaires (where; 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree), to collect data, from the sampled respondents.

3.6.2 Data collection Instruments

Data for this study was collected using 5 Likert scale questionnaires. The questionnaires contained closed ended questions and the questions were designed to seek information from the sampled employees. Through the structured questionnaire, the researcher was able to contact large numbers of people quickly, easily and efficiently using hand delivery or online questionnaire. Questionnaires are relatively quick and easy to prepare code and interpret, especially in the case of closed questions (Cooper & Schindler, 2011). The choice of a 5-Likert Scale questions was to allow a universal method of collecting data, which makes it easy to understand and respond to them. Working with quantitative data, it was easy to draw conclusions, reports, results and graphs from the responses.

3.6.3 Data Collection Procedure

The questionnaire was self-administered by way of drop and pick method to the respective managers and Directors of the selected banks. The respondents were guided on how to fill out the questionnaires and given a time frame of two weeks to complete filling them before returning them for further processing. Thereafter, data was checked for completeness and consistency before coding them for analysis.

3.7 Pilot Study

Before visiting the selected banks for actual data collection, the researcher piloted the instrument with twenty (20) employees from two commercial banks operating in Thika town. Thika town was selected for pilot exercise to ensure that participants who participated are not included in the actual sample. The purpose of this pilot study was to enable the researcher to improve on the validity and reliability of the data collecting instruments and to familiarize with their administration. According to Oso and Onen (2005), pre-testing provides a check on the feasibility of the proposed procedure for coding data and shows up flaws and ambiguities in the instruments of data collection.

3.7.1 Reliability

According to Nachimias (1996), reliability refers to consistency of a measuring instrument that is the extent to which a measuring instrument contains variable error. In this study, Cronbach's Alpha was used to test reliability of the instrument whereby the value of coefficient Alpha can range from zero (no internal consistency) to one (complete internal consistency). From the findings, the Cronbach's Alpha coefficients of 0.7 and above was observed, implying that the data instrument was reliable.

3.7.2 Validity

According to Serem *et al.*, (2013) validity aims at ascertaining the extent to which the research instruments collects the necessary information. This will also give suggestions for improvement on data collecting tools. Content validity was adopted in this study; to ensure that items in the data instruments reflect the content universe to which the instrument was generalized. Consequently, valuable contribution from the researcher, supervisors and relevant academic staff was taken into consideration to determine the validity of research instruments. The researcher also modified the items in the questionnaire using the suggestions put forward by the said experts.

3.8 Measurement of the Study Variables

Variables are those simplified portions of the complex phenomenon that is intended to study. They must always be measurable. The table below shows how study variables are measured.

Table 3.2: Measurement of variables

Objectives	**Sources**	**Independent Variables**	**Data instrument**
To establish the effect of cost leadership strategy on the performance of Commercial banks in Kenya.	Barney (2011); Ellis & Kelly (2014); Gupta & Somers (1996), Mwangi & Ombui (2013); Sagwa & Kembu (2016)	Cost leadership strategy	Questionnaire with Likert scale
To analyze the effect of differentiation strategy on the performance of Commercial banks in Kenya.	Cahit *et al.*, (2017); Cook (2017); Hill (2014); Olson & Slater (2012); Porter (2012); Arasa & Gathinji (2014).	Differentiation strategy	Questionnaire with Likert scale
To determine the effect of focus strategy on the performance of Commercial banks in Kenya.	Ochodo, Oloko and Yabs (2020); (Tromstedt and Haapasalo, 2012); (Pearce and Robinson, 2008); Liang, & Lu, (2014)	Focus strategy	Questionnaire with Likert scale
To analyze the moderating effect of organizational structure on competitive strategies and firm performance of Commercial banks	Bhimani (2018); Hao, Kasper &Muehlbacher (2012); Jens, Khalid & Hassan (2014); Mosoor *et al.*, (2012).	Organizational structure	Questionnaire with Likert scale

Source: Author, (2023)

The study variables for this research would include the cost leadership, differentiation and focus strategies by commercial banks, and their effect on performance of the banks.

The performance of the commercial banks would be measured by indicators such as profitability, market share, customer service, and return on investment. Other factors such as size, financial structure, and type of banks would be measured by variables such as the number of branches, the level of assets and liabilities, and the type of services provided.

The cost leadership strategy would be measured by factors such as the proportion of cost reduction activities, the total cost incurred, and the cost efficiency of the banks. Cost structure of banks can be measured in terms of cost cutting initiatives and operational efficiency (Barney 2011; Ellis & Kelly 2014; Gupta & Somers 1996; Mwangi & Ombui (2013); Sagwa & Kembu 2016).

Similarly, differentiation strategy in commercial banks refers to the strategies utilized by these banks to identify and differentiate themselves from their competitors. Measurement of study variables in this context could include customer satisfaction, market share, customer loyalty, and profitability. Other variables to measure could be customer segmentation, product innovation, service delivery, and marketing spend (Cahit*et al.*, 2017; Cook 2017; Hill 2014; Olson & Slater 2012; Porter 2012; Arasa & Gathinji 2014). These variables can also be measured through surveys, customer feedback, financial performance, and other forms of research.

The focus strategy in Commercial banks is the practice of concentrating resources on a limited range of activities or markets in order to increase the efficiency of operations and deliver better returns to shareholders. The measurement of this strategy can be based on: the number of business lines offered by a bank compared to its peers. This could be measured by the number of products and services offered and the number of different types of customers served. Another way could be the intensity of investment in certain business lines, such as the amount of capital allocated to certain activities

(Ochodo, Oloko and Yabs 2020; Tromstedt and Haapasalo, 2012; (Pearce and Robinson, 2008; Liang, & Lu, 2014). Finally, the success of the focus strategy could be measured by the amount of profits generated from the businesses in the focus areas.

3.9 Data Analysis

Data analysis is the process used by researchers for reducing data to a story and interpreting it to derive insights (Serem *et. al.*, 2013). The data analysis process helps in reducing a large chunk of data into smaller fragments, which makes sense. In this study, quantitative data analysis methodologies were adopted due to the nature of the study.

3.9.1 Descriptive statistics

Data analysis was carried out by use of descriptive statistics; drawing frequencies, mean, mode, median, standard deviations and variance. Also, by use of frequency distribution tables, the researcher was able to check trends in the results.

3.9.2 Inferential statistics

In order to determine the relationship between study variables, correlation and regression analysis was adopted. Correlation test was used to establish the kind of relationship that exist between study variables. Regression analysis was used to determine the extent of effect of competitive strategies on firm performance by establishing the R^2 value. Similarly, the P values were used to test all the hypothesis stated in this study; whether to accept or reject the stated null hypothesis stated in the early chapters of this study.

3.9.2.1 Multiple Regression analysis

Regression test was used to establish the impact of independent variables on the dependent variable. The values of both independent and dependent variables are assumed as being ascertained in an error-free random manner. The results from regression test showed the moderating effect of organizational structure on the relationship between competitive strategies and firms performance of Commercial banks in Kenya as elaborated in the next chapter.

3.9.2.2 Regression assumptions

The regression model above underwent diagnostic tests to assess the model assumptions and to examine whether or not there are observations with big, undue effect on the analysis. This involved linearity, normality, multi-collinearity and homoscedasticity tests.

Linearity: this is an assumption that the expected dependent variable value is straight line function of each independent variable, keeping others constant. This was achieved by plotting residuals values and checking for the spread of residuals around a horizontal line. By examining a normal Predicted Probability (P-P) plot, the researcher determined if the residuals are normally distributed; this was confirmed by the diagonal normality line indicated in the plot.

Normality: Normality tests was performed by inspecting the regression model residuals; by plotting a graph and checking the normality to ascertain it (Gujarati & Porter, 2009).By using Kolmogorov Smirnov test, the researcher checked test statistics provided (along with a degrees of freedom parameter) to determine for normality. Usually, when testing for normality; Probabilities of 0.05 indicate that the data are normal and Probabilities < 0.05 indicate that the data are not normal.

Multicollinearity: To test for multi-collinearity, the Tolerance and Variance Inflation Factor (VIF) values were observed. When the value of tolerance is greater than 0.1 and the VIF value is below 10 at same time, then multi-collinearity does not exist.

Homoscedasticity: This is a condition in which the variance of the residual, or error term, in a regression model is constant. To test this, Goldfeld-Quandt test was applied, when λ (=F) is greater than the critical F at the chosen level of significance, we reject the hypothesis of homoscedasticity, we can say that heteroscedasticity is very unlikely (Gujarati & Porter, 2009).

3.9.2.3 Regression model

The model below was formulated by the researcher to statistically determine the contribution made by the independent variable on the dependent variable. This study adopted a regression model equation as follow:

Direct effect model:

$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \varepsilon_1$

Hierarchical regression model:

$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \varepsilon_1$……………………………………………………………model 1

$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \beta_4X_4+\varepsilon_2$……………………………………………..…....model 2

$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \beta_{4a}X_1 * X_4+\varepsilon_3$……………………………………..….model 3

$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \beta_{4a}X_1 * X_4+\beta_{4b}X_2 * X_4+\varepsilon_4$………………………….....model 4

$Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \beta_4X_4+ \beta_{4a}X_1 * X_4+\beta_{4b}X_3* X_4+ \beta_{4c}X_3* X_4+\varepsilon_5$……………..model 5

Where;

Y is the dependent variable (Firm performance),
β_0 is the regression constant,
β_1, β_2, β_3 and β_4 are the coefficients of independent variables,
X_1 is cost leadership strategy,
X_2 is differentiation strategy,
X_3 is focus strategy;
$X_4$is organizational structure
ε is the standard error

3.10 Ethical Considerations

Ethics gives researchers the guidelines on how they should conduct research so as to ensure that the research is carried out in a way that ensures the safety of research subjects and is in the best interest of the respondents (Sekaran, 2006). One of the ethical considerations is considering the confidentiality and anonymity of respondents. The researcher guaranteed confidentiality by ensuring that the respondents do not write their names on the questionnaires. Further, the data collected was only be used for academic purposes only. In order to ensure there is objectivity when analyzing data, the researcher created a data biography to help uncover hidden bias in the data. In addition, the researcher carefully documented all the changes and assumptions made during data cleaning.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Overview

This chapter presents the research findings and reporting according to the four objectives of the study outlined in chapter one. It begins with demographic representation, descriptive statistics, diagnostic tests, correlation analysis regression analysis, and test of hypotheses. The results of the analysis were presented using tables and charts.

4.2 Response Rate

The researcher distributed 242 questionnaires in which 225 were returned representing 92.9%. However, 17 of the questionnaires representing 8% were not returned by the respondents. Table 4.1 shows the detail representation response rate. Usually, a response rate of 70% and above is important since it is an excellent representation of the population to avoid biasness.

Table 4.1: Response rate

S/no		Frequency	Percentage (%)
1	Responded Questionnaires	225	92.9%
2	Non-responded Questionnaires	17	7.1%
	Total	**242**	**100%**

Source: Author (2023)

4.3 Demographic Information

4.3.1 Gender proportion

In this study, respondents were asked to indicate their gender. This was important since it ensures that information is sought from both genders and also gives status of gender parity in the banking industry. The findings showed that, among respondents involved in this study, 115(51%) were male while 110 (49%) were female as shown in figure 4.2 below. This indicates that data collected in this study was collected from both genders, thus not bias.

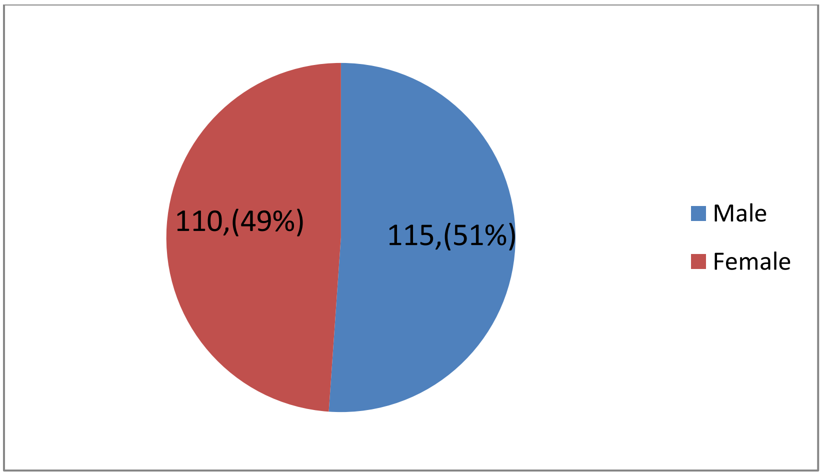

Figure 4.1: Gender Proportion
Source: Author (2023)

4.3.2 Age distribution

Similarly, respondents were asked to state their age. Result on age composition shown that most were between 31-40 years at 101(45%), followed by 26-30 years who were 70(31%), while those with 41-50 years were 46(20%). Lastly, respondents of above 51 years were few, 8(4%). This implies that most respondents involved in this study were young and therefore, easy to comprehend and respond to the questions provided to them.

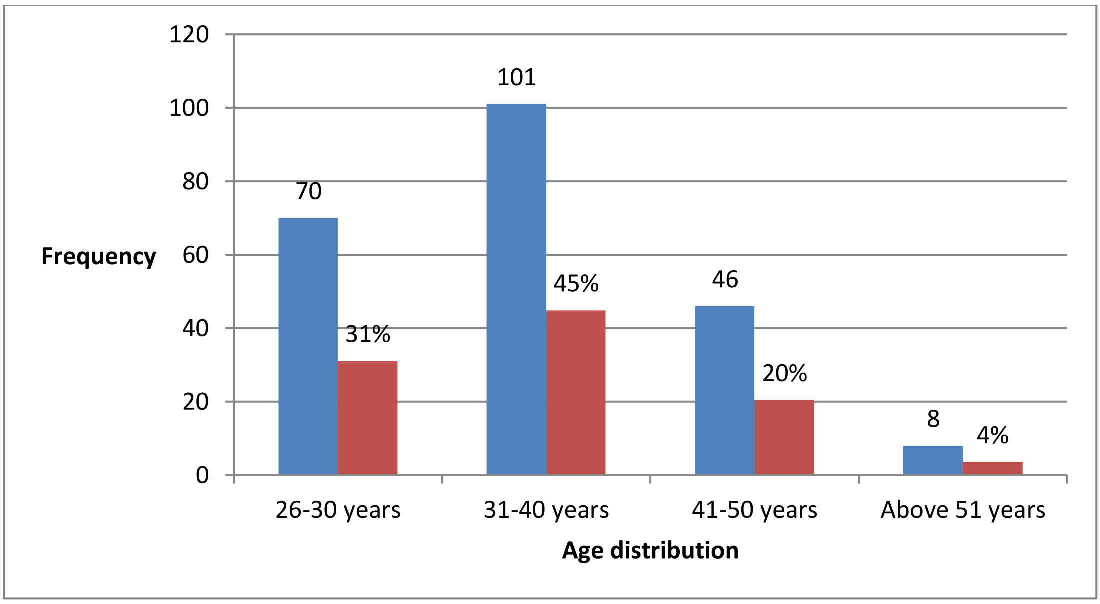

Figure 4.2: Age distribution
Source: Author (2023)

4.3.3 Level of Education

The researcher sought to determine the level of education for all the respondents, majority 112(50%) were graduate, 68(30%) had masters qualification, 32(14%) had obtained various college trainings at diploma and certificate level as shown in fig. 4.2. This implies that most of the respondents were knowledgeable enough to provide the required data/information relating to the variables under study.

Table 4.2: Level of education

	Frequency	**Percentage (%)**
College level	32	14
University level	112	50
Masters level	68	30
PhD level	13	6
Total	**225**	**100**

Source: Author (2023)

4.4 Descriptive Analysis

4.4.1 Cost leadership strategy and Performance of Commercial Banks

The first objective of this study was to determine the effect cost leadership strategy on the performance of Commercial banks in Kenya. The findings revealed that majority of the banks have maintained the low cost base as the primary determinant of the cost leadership strategy (Mean=4.2, Std dev.=0.9), and this has been ensured by having a large market share (Mean=4.0, Std dev.=0.8).

Also, this study established that for commercial banks in Kenya has taken a low cost base as a vital and decisive task (Mean=4.2, Std dev.=1.0), however, it was noted that there was uncertainty on whether low cost leadership leads to less customer loyalty(Mean=3.4, Std dev.=0.7). Conclusively, this study established that cost leadership strategy is an important element that commercial banks require to consider for better performance (Aggregate Mean=4.0, Std dev.=0.8), see table 4.3 below.

Competition has been a growing concern for many commercial banks in Kenya. Thus, adoption of cost leadership strategy enables banks to reduce costs and increasing profit margins in order to gain a competitive advantage in the market. This can be achieved by streamlining processes and optimizing resources in order to maximize efficiency and minimize waste. Commercial banks which adopt this strategy are able to reduce overhead costs and increase their profitability. However, there are some potential risks associated with this strategy, such as increased competition and reduced customer satisfaction (Abbas, 2014).

Table 4.3: Cost leadership strategy

	Mean	Std. Dev	Skewness	Kurtosis	Sample (N)
In our bank, we have maintained the low cost base as the primary determinant of the cost leadership strategy	4.2	0.9	0.33	-1.06	225
To achieve low cost leadership, our bank has ensured having a large market share	4.0	0.8	-0.12	0.28	225
Due to low cost leadership, our bank has experience less customer loyalty	3.4	0.7	-0.07	-0.26	225
In our bank, maintenance of a low cost base is a vital and decisive task	4.2	1.0	-0.40	-0.48	223
Aggregate Mean & Std. Dev.	**4.0**	**0.8**			

Source: Author (2023)

4.4.2 Differentiation strategy and Performance of Commercial Banks

The second objective was to establish the effect of differentiation strategy on the performance of Commercial banks. The findings found that banks offer products and services that are different from its competitors (Mean=3.8, Std dev.=0.9), and that they have ensured that there is a close relationship between the customers and the marketing team (Mean=4.0, Std dev.=0.9). Similarly, it was established that commercial banks in Kenya offer many product variations and a wide selection of products to cater for varied needs (Mean=4.3, Std dev.=0.8).

Conversely, this study noted a dissent on the fact that banks have adopted differentiation strategy which has attracted competitors to enter their market segment and copy the differentiated product (Mean=3.2, Std dev.=0.9). The implication of differentiation strategy in commercial banks has been a topic of discussion for many years. However, this study confirmed that differentiation strategy plays a big role in influencing bank performance (Aggregate Mean=3.8, Std dev.=0.8), see table 4.4 below.

Differentiation strategy allows Commercial banks to differentiate their products or services from those of their competitors, in order to capture a greater market share. According to (Zhao, 2018), this strategy can be adopted to differentiate between banks in terms of product offerings, pricing, customer service, and other factors. Thus, differentiation strategies assist banks to acquire and retain customers, and to improve their profitability (Krauss, & Gebauer, 2017).

Table 4.4: Differentiation strategy

	Mean	Std. Dev	Skewness	Kurtosis	Sample (N)
Our bank has adopted differentiation strategy which has attracted competitors to enter our market segment and copy the differentiated product	3.2	0.9	-0.27	-1.26	225
Our bank offers products/services that are different from its competitors	3.8	0.8	0.01	-0.35	225
My bank has ensured that there is a close relationship between the customers and the marketing team	4.0	0.9	0.02	-0.85	225
Our bank offers many product variations and a wide selection of products to cater for varied needs	4.3	0.8	-0.48	-0.08	225
Aggregate Mean & Std. Dev.	**3.8**	**0.8**			

Source: Author (2023)

4.4.3 Focus strategy and Performance of Commercial Banks

The third objective of this study was to analyze the effect of focus strategy on the performance of Commercial banks. The findings found that many commercial banks offer special services aimed at corporate institutions in Kenya (Mean=3.9, Std dev.=0.9), and more importantly, they have focused on mobile money lending (Mean=4.4, Std dev.=0.9) and also offer lending services to cooperatives societies (Mean=4.0, Std dev.=1.0).

However, respondents disagreed with the fact the bank have put in place mechanism to deal with different needs of the customers (Mean=3.2, Std dev.=0.9) and that commercial banks have reputation for offering credits and other services to informal sector businesses (Mean=3.3, Std dev.=0.7). The implication of focus strategy in commercial banks is an important topic that has been gaining increased attention in recent years. This study, revealed that focus strategy is an important aspect in dealing with competition in banking industry (Aggregate Mean=3.8, Std dev.=0.9), and therefore, commercials banks need to be innovative and earnest focus strategy to boost their performance.

By adopting focus strategy, commercial banks will be able to concentrate efforts on a specific market segment in order to deliver products and services to meet the needs of that segment. Thus, be able to increase efficiency and reduce costs while also improving customer service and satisfaction. Liang and Lu (2014) suggested that the implementation of focus strategy helps banks in better managing their resources and increasing their competitive advantage. Additionally, it helps banks in improving their customer service and developing a better relationship with their customers. Therefore, focus strategy can be a useful tool for commercial banks in order to remain competitive in the market.

Table 4.5: Focus strategy

	Mean	Std. Dev	Skewness	Kurtosis	Sample (N)
Our bank has put in place mechanism to deal with different needs of the customers	3.2	0.9	-0.14	-0.60	225
Our bank has a reputation for offering credits and other services to informal sector businesses	3.3	0.7	0.06	-0.27	225
Our bank offer special services aimed at corporate institutions in Kenya	3.9	0.9	-0.48	0.16	225
Our bank has focused on mobile money lending	4.4	0.9	-0.34	-0.41	225
Our bank offer lending services to cooperatives societies	4.0	1.0	-0.22	-0.73	225
Aggregate Mean & Std. Dev.	**3.8**	**0.9**			

Source: Author (2023)

4.4.4 Organizational structure and Performance of Commercial Banks

This study sought to evaluate organizational structure components and how this has influence the performance of commercial banks in Kenya. The findings found that commercial banks have adopted an organizational structure that has facilitated excellent leadership team for implementing strategic objectives (Mean=3.8, Std dev.=0.9), and that bank's organizational structure fosters effective execution of strategic decisions (Mean=4.0, Std dev.=0.8). However, it was uncertain whether the organizational structure adopted by commercial banks have created optimum hierarchy levels within the institution (Mean=3.3, Std dev.=0.8) and also whether the organizational structure adopted by banks has created optimum hierarchy levels within the institution (Mean=3.4, Std dev.=0.9) as shown in table 4.6 below. However, organizational structure components remain an important aspect that determines the state of performance by commercial banks (Aggregate Mean=3.7, Std dev.=0.8).

Organizational structure is key to effectively managing a commercial banks; it enables them to effectively allocate resources, define responsibilities, and develop appropriate policies and procedures to ensure success. This study revealed that, when a bank has an effective organizational structure, it allows employees to work collaboratively and efficiently, and optimizes the bank's operations. Moreover, an effective organizational structure can help to ensure that the bank is compliant with applicable laws and regulations (McKenzie & Mertens, 2020). As such, the implications of an effective organization structure in commercial banks are many and varied.

Table 4.6: Organizational structure

	Mean	Std. Dev	Skewness	Kurtosis	Sample (N)
The organizational structure adopted by our bank has created optimum hierarchy levels within the institution	3.4	.9	-0.15	-0.77	225
Our bank has adopted an organizational structure that has facilitated optimal span of control for all the leaders within the institution	3.3	.8	-0.48	0.7	225
Our bank has adopted an organizational structure that has facilitated excellent leadership team for implementing strategic objectives	3.8	.9	-0.17	0.14	225
Our bank's organizational structure fosters effective execution of strategic decisions	4.0	.8	-0.26	-0.45	225
Aggregate Mean & Std. Dev.	**3.7**	**.8**			

Source: Author (2023)

4.5 Assumptions of Linear Regression Analysis

4.5.1 Test of Linearity

The table 4.7 below provides the obtained results for the linearity analysis test that was conducted between generic competitive strategies and the performance of commercial banks. Usually, in order to make valid inferences from a regression test, the residuals of the regression should follow a normal distribution. The obtained Analysis of Variance (ANOVA) for deviation from linearity test indicates that the study variables; cost leadership strategy, differentiation strategy and focus strategy were linearly related with coefficients 0.302, p>0.05; 0.402, p>0.05 and 0.259, p>0.05 respectively. The ANOVA Output values sig. (Deviation from Linearity) are >0.05 for all the variables. This implies that there is a linear relationship between cost leadership strategy, differentiation strategy, focus strategy and the performance of Commercial banks.

Table 4.7: Linearity test

			Sum of Squares	df	Mean Square	F	Sig.
Performance of Commercial banks * Cost leadership strategy	Between Groups	(Combined)	.259	11	.024	6.925	.000
		Linearity	.021	1	.021	6.055	.015
		Deviation from Linearity	.239	10	.024	7.012	**.302**
	Within Groups		.718	211	.003		
	Total		.977	222			
			Sum of Squares	df	Mean Square	F	Sig.
Performance of Commercial banks * Differentiation strategy	Between Groups	(Combined)	.337	11	.031	10.129	.000
		Linearity	.210	1	.210	69.445	.000
		Deviation from Linearity	.127	10	.013	4.198	**.402**
	Within Groups		.645	213	.003		
	Total		.983	224			
			Sum of Squares	df	Mean Square	F	Sig.
Performance of Commercial banks * Focus strategy	Between Groups	(Combined)	.223	12	.019	5.191	.000
		Linearity	.174	1	.174	48.602	.000
		Deviation from Linearity	.049	11	.004	1.244	**.259**
	Within Groups		.759	212	.004		
	Total		.983	224			

Source: Author (2023)

4.5.2 Test of Normality

Normality test was carried out using the Kolmogorov-Smirnov and Shapiro-Wilk tests. Both the Kolmogorov-Smirnov and Shapiro-Wilk tests can be used to interpret normality. However, in this study, the Shapiro-Wilk test was used because it is regarded to be more powerful and accurate for small sample sizes. The findings showed that the data was normally distributed, all the p-values for all the variables (cost leadership strategy, differentiation strategy, focus strategy) were greater than 0.05 (p-value >0.05) as illustrated in table 4.8 below. This was affirmed by a normal plot (graph) shown in figure 4.3 below.

Table 4.8: Normality test

		Kolmogorov-Smirnova			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Performance of Commercial banks	Cost leadership strategy	.307	4	.223	.729	4	.124
	Differentiation strategy	.226	10	.157	.836	10	.070
	Focus strategy	.303	5	.321	.698	5	.210

Source: Author (2023)

4.5.3 Multi-colinearity test

The other assumption test that was carried out is the assumption of Multicollinearity. Multicollinearity means the existence of a perfect or exact linear relationship among some or all predictor variables of a regression model. Multi-collinearity leads to coefficients that cannot be estimated with great precision or accuracy. This is assumption is usually checked by observing VIF values (>0.1). The obtained Variance of Inflation Factor (VIF) output were 1.197, 1.538 and 1.342 for cost leadership strategy, differentiation strategy and focus strategy as shown in table 4.9 below. This shows that multi-collinearity symptoms were not present on data showing relationship between generic competitive strategies and the performance of commercial banks.

Table 4.9: Multi-collinearity test

Model	Collinearity Statistics Tolerance	VIF
Cost leadership strategy	.835	1.197
Differentiation strategy	.650	1.538
Focus strategy	.745	1.342

a. Dependent Variable: Performance of Commercial banks

Source: Author (2023)

4.5.4 Heteroscedasticity test

The other key assumption of linear regression is that the residuals are distributed with equal variance at each level of the predictor variable. When heteroscedasticity occurs, the results of the regression become unreliable. Based on the scatter-plot output below, it appears that the spots are diffused and do not form a clear specific pattern. So it can be concluded that the regression model does not have heteroscedasticity problem.

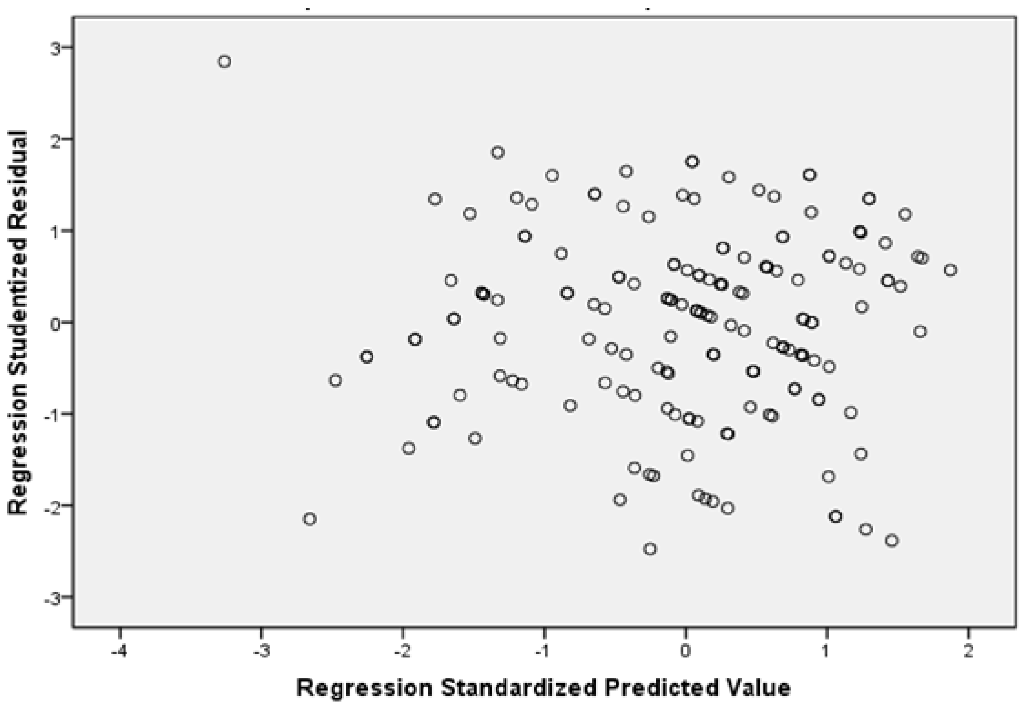

Figure 4.3: Heteroscedasticity test

Source: Author (2023)

4.6 Correlation Analysis

The study sought to determine the relationships that exist between generic competitive strategies and performance of Commercial banks. The findings showed that there was positive significant relationship between cost leadership strategy and Performance of Commercial banks (Pearson's r= 0.145, p<0.030); this implies that the more banks adopt cost leadership strategy, it results to better performance.

Similarly, the findings showed that differentiation strategy has positive significant relationship with performance of Commercial banks (Pearson's r=0.463, p<0.000), meaning that the higher the application of differentiation strategy in banks, the better performance. Also, there was a positive significant relationship between focus strategy and performance of Commercial banks (Pearson's r=0.421, p<0.000). This implied that focus strategy is associated with performance of Commercial banks as presented in table 4.10 below.

Table 4.10: Correlation results

		Cost leadership strategy	Differentiation strategy	Focus strategy	Performance of Commercial banks
Cost leadership strategy	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	225			
Differentiation strategy	Pearson Correlation	.406**	1		
	Sig. (2-tailed)	.000			
	N	223	225		
Focus strategy	Pearson Correlation	.207**	.504**	1	
	Sig. (2-tailed)	.002	.000		
	N	223	225	225	
Performance of Commercial banks	Pearson Correlation	.145*	.463**	.421**	1
	Sig. (2-tailed)	.030	.000	.000	
	N	223	225	225	225

**. Correlation is significant at the 0.05 level (2-tailed).

Source: Author (2023)

4.7 Regression Analysis

The purpose of the regression analysis was to assess the influence of both predictor variables (cost leadership, differentiation and focus) on the performance of Commercial banks. Similarly, to analyse the effect of the moderating variable (organization structure) on the relationship between generic strategies and firm. The regression results were as follows:

4.7.1 Results for the Direct Effects

A regression test was performed to determine the effect of the predictor variables on firm performance. The findings indicated that 30% of the variation of firm performance was predicted by the combination of cost leadership, differentiation and focus strategies. ($R^2 = .300$). This was significant with an F change value= 31.58, $p < 0.00$. The first hypothesis of the study was accepted since the findings became significant. Hypothesis two and three were significant; differentiation strategy was significant (B= .276, p=0.00) and also focus strategy was too (B= .364, p=0.00). Therefore the null hypotheses for the two were rejected and conclude that both differentiation and focus strategy are statistically significant predictors of firm performance. The results are therefore shown in the following table 4.11.

Table 4.11: Results of the Direct Effects of the Study

Variables	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.	Correlations Zero-order
(Constant)	1.34	.265		4.658	.000	
Cost Leadership Strategy	.021	.062	.022	.341	.733	239
Differentiation Strategy	.272	.067	.276	4.070	.000	.434
Focus Strategy	.382	.065	.364	5.898	.000	.481
Model Summary Statistics:						
R	0.548					
R Square	0.300					
Adjusted R square	0.291					
R square Change	0.300					
F Change	31.579					
Sig. F change	0.000					

Dependent Variable: Firm Performance

Source: Survey Data, 2023

4.7.2 Moderating effect of Organizational structure on the relationship between Generic Competitive strategies and performance of Commercial banks in Kenya

A hierarchical regression was also done to determine the moderating effect of organizational structure on the relationship between the independent variables and firm performance. This was done in a series of hierarchical blocks. Initially, the independent variables were standardized to Z-scores to reduce the effects of multi-collinearity and then a cross-product of the moderator with each of the independent variable was done.

In the model one, the independent variables were entered. These included cost leadership, differentiation and focus strategies. In model two, organization structure (moderator) was entered. In models three to five the interaction terms were hierarchically entered (cost leadership*organizational structure, differentiation* organization structure and focus*organizational structure).

In model one, the combined independent variables other than cost leadership were statistically significant and contributing 30% of the variance in firm performance. With the addition of the moderator the variance in firm performance increased to 37% demonstrating that the addition of the moderator significantly contributed to an increase in firm performance. From the conceptualization of the study, objective 4a was to examine the moderating effect of organizational structure on the relationship between cost leadership strategy and firm performance. From the findings the interaction between cost leadership and organizational structure was statistically significant (B=.784, p> 0.05). We therefore reject the null hypothesis and uphold that organizational structure moderates the relationship. The other two objectives 4b and 4c were statistically insignificant hence we accept the null hypothesis and uphold that organizational structure does not moderate both the relationships between differentiation and focus and firm performance. The summary of the findings are found on table 4.12 below.

Table 4.12: Results of the Moderating effect of Organizational structure on the relationship between Generic Competitive strategies and performance of Commercial banks in Kenya

Variables:	Model 1	Model 2	Model 3	Model 4	Model 5
Constants	1.234 (.265)	.589 (.282)	1.921 (.409)	2.367 (1.304)	2.120 (1.385)
Predictors:					
Cost Leadership Strategy	.022 (.062)	-.013 (.059)	-.469 (.116)*	-.489 (.128)*	-.543 (.161)*
Differentiation Strategy	.276 (.067)*	.219(.064)*	.183 (.062)*	.249 (.076)	.126 (.313)
Focus Strategy	.364 (.065)*	.275(.064)*	.293 (.062)*	.294 (.062)*	.361 (.146)
Moderating Variable:					
Organization Structure		.304(.073)*	-.022 (.114)	-.130 (.381)	-.066 (.408)
Interactions:					
Cost Leadership *Organization Structure			.679 (.031)*	.706 (.034)*	**.784 (.085)***
Differentiation * Organization Structure				.168 (.168)	**.087 (.090)**
Focus Strategy * Organization Structure					**-.109 (.040)**
Model Statistics Summary:					
R	0.548a	0.616b	0.050c	0.650d	0.651e
Rsquare	0.300	0.37	0.422	0.423	0.424
Adjusted Rsquare	0.291	0.361	0.409	0.407	0.405
Rsquare Change	0.350	0.072	0.50	0.00	0.001
F change	31.579	25.35	19.008	0.130	0.287
Sign. Fchange	0.000	0.000	0.00	0.719	0.402

Key: * indicates that the values are significant at p<0.05
-Brackets indicate the standard error.

***Source*:** Survey Data, 2023

4.8 Hypothesis Testing

The study hypotheses were stated in null as follows:

$H0_1$: Cost leadership strategy has no significant effect on the performance of commercial banks in Kenya.

$H0_2$: Differentiation strategy has no significant effect on the performance of commercial banks in Kenya.

$H0_3$: Focus strategy has no significant effect on the performance of commercial banks in Kenya.

$H0_4$: Organizational structure has no significant moderating effect on the relationship between:

a) cost leadership strategy and performance of commercial banks in Kenya

b) differentiation strategy and performance of commercial banks in Kenya

c) focus strategy and performance of commercial banks in Kenya

Table 4.13: Hypothesis testing

Hypotheses	Beta (β)	P-values	Decision
$H0_1$: Cost leadership strategy has no significant effect on the performance of commercial banks in Kenya	-0.061	0.733	Accept
$H0_2$: Differentiation strategy has no significant effect on the performance of commercial banks in Kenya	0.306	0.000	Reject
$H0_3$: Focus strategy has no significant effect on the performance of commercial banks in Kenya	0.361	0.000	Reject
$H0_4$a : Organizational structure has no significant moderating effect on the relationship between Cost leadership strategy and performance of commercial banks in Kenya	-0.341	0.004	Reject
$H0_{4b}$: Organizational structure has no significant moderating effect on the relationship between Differentiation strategy and performance of commercial banks in Kenya	-0.093	0.623	Accept
$H0_{4c}$: Organizational structure has no significant moderating effect on the relationship between Focus strategy and performance of commercial banks in Kenya	0.446	0.504	Accept

Source: Author (2023)

4.9 Discussion of the Findings

Generic competitive strategies are the broad approaches that organizations use to gain an edge in the competitive landscape. These strategies are used by organizations to differentiate their products and services and gain a competitive advantage. In the case of commercial banks, generic competitive strategies refer to the various strategies that banks use to gain an edge over their competitors. The purpose of this study was to analyze the moderating effect of organizational structure on the relationship between generic competitive strategies and firms performance of Commercial banks in Kenya.

The first objective was to determine the effect cost leadership strategy on the performance of Commercial banks. The findings showed that cost leadership strategy has a negative significant effect on bank performance. Results from this study affirmed the findings of Zhang *et al.* (2016) which revealed that cost leadership strategies can lead to a decrease in performance. Specifically, the authors found that cost leadership strategies can lead to a decrease in profitability, customer satisfaction, and efficiency. Additionally, the authors observed that cost leadership strategies can lead to a decrease in customer loyalty, employee satisfaction, and market share.

Further, Wang *et al*. (2018) conducted a study to evaluate the performance of commercial banks with a cost leadership strategy. The authors found that banks with cost leadership strategies tend to experience fewer profits than banks with different strategies. Furthermore, cost leadership strategies resulted in a decrease in customer loyalty, employee satisfaction, and efficiency. The authors concluded that cost leadership strategies can lead to a decrease in performance of commercial banks. However, in contrary to these findings, Fomba (2015) and Fong (2017) established that cost leadership strategy has significant positive effects on the performance of commercial banks. Furthermore, Gholami and Abedini (2015) found that cost leadership strategies resulted in improved operational efficiency, increased operational capability and increased market share of commercial banks.

The second objective of the study was to establish the effect of differentiation strategy on the performance of Commercial banks. The findings showed that differentiation strategy has a positive significant influence on bank performance. To be specific, it was found that many banks offer products and services that are different from its competitors. This concurred with the findings of Chen *et al*. (2015), that banks that have adopted differentiation strategy, have achieved a higher return on assets than those that used a generic approach. Similarly, a study by Chang and Lee (2017) found that banks that adopted a differentiation strategy had a higher return on assets, return on equity, and net interest margin than those that adopted a generic strategy. Furthermore, a study by Liu *et al.* (2018) found that the market power of differentiating banks was greater than that of generic banks.

Specifically, differentiating banks earned higher net interest margins and had better asset quality than generic banks. In addition, the study reported that differentiating banks had a significantly higher market share than generic banks. These findings suggest that an effective differentiation strategy can lead to high performance in commercial banks. In summary, empirical studies suggest that differentiation strategies are associated with higher performance in commercial banks. Banks that adopted a differentiation strategy achieved a higher return on assets, return on equity, and net interest margin than those that adopted a generic strategy. Differentiating banks also had a significantly higher market share and greater market power than generic banks. Therefore, bankers should consider employing a differentiation strategy to improve the performance of their banks.

The third objective was to analyze the effect of focus strategy on the performance of Commercial banks. The findings established that focus strategy has a positive significant effect on bank performance. It was found that found that many commercial banks offer special services aimed at corporate institutions and more importantly, they have focused on mobile money lending and also offer lending services to cooperatives societies. These findings concurred with those of Li and Srinivasan (2015) who found that that a focus strategy had a significant positive impact on performance, with a significant increase in return on assets when compared to non-focus firms. The authors concluded that a focus strategy was beneficial to the performance of commercial banks, and that managers should consider implementing such a strategy in their operations.

In a subsequent study, Cai *et al*. (2016) analyzed the impact of focus strategy on the profitability of Chinese commercial banks. The results showed that focus strategy had a positive and significant effect on the profitability of commercial banks, with an increase of 0.5 percent in return on assets when compared to non-focus firms. The authors concluded that focus strategy was indeed beneficial for commercial banks, and that its adoption should be encouraged. Gull and Al-Fayoumi (2016) examined the impact of focus strategy on the performance of banks in Pakistan, finding that focus strategy had a positive and statistically significant effect on performance. Overall, the empirical evidence suggests that focus strategies can have a positive and significant effect on the performance of commercial banks. Consequently, this implies that banks can use focus strategies to improve their performance.

The fourth objective was to analyze the moderating effect of organizational structure on the relationship between generic competitive strategies and firms performance of Commercial banks. The findings established that organizational structure has no significant moderating effect on the relationship between cost leadership strategy and performance of commercial banks. This was found to be contrary to a study conducted in the United Kingdom (Stahl, 2008) which concluded that organizational structure had a significant moderating effect on the relationship between cost leadership strategy and performance of commercial banks.

Specifically, the study found that banks with a centralized organizational structure had higher performance when they adopted a cost leadership strategy than banks with a decentralized organizational structure. Furthermore, the study found that the performance of banks with a decentralized organizational structure was not significantly affected by the adoption of a cost leadership strategy. The results of the study suggest that organizational structure plays an important role in determining the effectiveness of a cost leadership strategy for commercial banks.

On the other hand, organizational structure was found to have significant moderating effect on the relationship between differentiation strategy, focus strategy and performance of commercial banks in Kenya. The same finding was established by Gholami and Rezvanian (2015) who found that a differentiated strategy was most effective when used in conjunction with a highly centralized organizational structure. This was further supported by the findings of Zhu and He (2016), who found that a higher degree of centralization in the organizational structure led to improved performance when a differentiation strategy was employed. Similarly, Cui et al. (2018) concluded that the use of a differentiation strategy in combination with a centralized organizational structure had a significantly positive effect on performance.

Similarly, a study by Kanagasabai and Raman (2019) found that the organizational structure had a significant moderating effect on the relationship between focus strategy and performance. Specifically, the authors found that when organizational structure was strong, a focus strategy had a positive effect on performance, while when organizational structure was weak, a focus strategy had a negative effect on performance. The authors conclude that organizational structure should be taken into account when designing focus strategies for commercial bank.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section of the study summarizes the findings, draws conclusions and also gives recommendations based on the findings of the study.

5.2 Summary of the Findings

The main aim of this study was to analyze the moderating effect of organizational structure on the relationship between generic competitive strategies and firms performance of Commercial banks in Kenya. In this study, organizational structure is regarded an important factor determining firm performance. This is because it serves as the framework for how an organization functions. It dictates how tasks are divided, how resources are allocated, and how decisions are made. When an organization's structure is organized in a way that supports efficient communication, productivity, and collaboration, it can lead to improved performance. On the other hand, generic competitive strategies are approaches used by firms to help focus on achieving a competitive advantage over other businesses that offer similar products or services.

This type of strategy typically involves analyzing the strengths and weaknesses of a business in comparison to its competitors, and then making strategic decisions about pricing, marketing, product development, and other areas in order to gain a competitive edge. This study adopted Porter's competitive strategies, which included: Cost leadership, Differentiation, and Focus to analyze the competitive environment of commercial banks in Kenya. The Porter's model was adopted because it explains how business organizations within an industry can develop competitive advantages over their rivals by considering the external factors that influence the industry, such as the threat of new entrants, the power of suppliers and buyers, the threat of substitute products, and the intensity of rivalry within the industry.

The first objective of this study was to determine the effect cost leadership strategy on the performance of Commercial banks in Kenya. Banks compete for customers by offering better deals, lower fees, and higher interest rates. By having a cost leadership strategy, banks are able to offer better deals and lower fees to customers, which can help them attract more customers and make more money. Additionally, cost leadership helps banks control their costs, which can improve their overall profitability. The findings showed that many banks in Kenya have maintained the low cost base which has led to a large market share. Furthermore, the findings revealed that commercial banks in Kenya have taken a low cost base approach as a vital and decisive task to improve their performance. However, there was uncertainty whether low cost leadership has implication on customer loyalty. This study therefore, showed that cost leadership is important in bank performance due to the competitive nature of the banking industry. Further, the findings revealed a positive significant relationship between cost leadership strategy and Performance of Commercial banks.

The second objective of this study was to establish the effect of differentiation strategy on the performance of Commercial banks in Kenya. Differentiation strategy allows a bank to stand out from other banks in the market by providing unique services and products that appeal to a specific customer segment. Additionally, a differentiation strategy allows the bank to charge a premium for its services, allowing it to increase profits. The findings revealed that commercial banks in Kenya offer products and services that are distinct in the market and they have maintained a good customer-relation culture to boost loyalty. Similarly, this study established that commercial banks offer many product variations and a wide selection of products to cater for varied customer needs. Conversely, it was noted that the differentiation strategies adopted by commercial banks have not attracted other competitors to enter their market segment. However, this study noted that differentiation strategy plays a big role in influencing bank performance. Similarly, correlation results showed that differentiation strategy has positive significant relationship with performance of Commercial banks.

The third objective of this study was to analyze the effect of focus strategy on the performance of Commercial banks in Kenya. Focus strategy allow commercial banks to become experts in their field, which can give them an advantage over competitors who are not as specialized. Additionally, a focus strategy enables banks to leverage their resources more effectively, which can lead to improved efficiency and cost savings. The findings revealed that many commercial banks in Kenya offer special services aimed at corporate institutions and they have focused on mobile money lending as well as offering lending services to cooperatives societies.

Conversely, it was noted that some banks lack focus, for instance, study revealed that some banks have not put in place mechanism to deal with different needs of the customers, while others have poor reputation in regard to credits and other services to informal sector businesses. Nevertheless, focus strategy was found to be an important strategy for competitiveness and therefore, commercials banks need to be innovative and earnest focus strategy to boost their performance. Correlation test showed a positive significant relationship between focus strategy and performance of commercial banks.

This study sought to evaluate organizational structure components and how this has influence the performance of commercial banks in Kenya. A well-defined organizational structure helps create effective communication and decision-making processes, enabling the bank to meet its goals more efficiently. This also helps the bank to develop and maintain a clear chain of command and authority, enabling it to identify and address potential problems quickly.

The findings found that commercial banks have adopted an organizational structure that has facilitated excellent leadership team for implementing strategic objectives and that has offered effective execution of strategic decisions within individual banks. However, there was uncertainty whether the organizational structure adopted by commercial banks has created optimum decision levels and whether the organizational structure adopted has created optimum hierarchy levels within the institution. However, this study reiterates that an organizational structure component is an important aspect that determines the state of performance by commercial banks.

5.3 Conclusion

This study concludes by stating that generic competitive strategies have been used by commercial banks to influence their performance. These strategies include cost leadership, differentiation, and focus strategies. This study revealed that cost leadership has been adopted by commercial banks in strive to achieve the lowest cost provider of banking services. However, a few have managed to take lead in cost leadership while others continue to struggle with the cost of their products and services. Similarly, this study found that many commercial banks in Kenya have adopted differentiation strategy to attempt to differentiate itself from its competitors and offer better customer service, more innovative products, and higher quality services. Furthermore, focus strategies have been used by banks to serve a specific market segment and providing specialized services. For instance, many banks have leverage on ICTs and other technologies to provide customer focus products and services. This has yielded fruits for many banks and has led to increase in market share and profitability in a specific sector.

Therefore, this study concludes that that cost leadership, differentiation and focus strategies are significant predictors of the performance of Commercial banks. These strategies have a significant impact on the performance of commercial banks and can be used to improve performance. However, it is important to consider the individual strengths and weaknesses of each bank when selecting the best strategy for each particular bank to ensure success. It is also evident that organizational structure has a significant effect on the performance of Commercial banks.

The structure of an organization directly impacts the way work is carried out, how resources are allocated, and the way decisions are made. By having a well-designed organizational structure, commercial banks can create an environment that encourages collaboration and encourages employees to work together to achieve common goals. Additionally, good organization also allows employees to be more efficient and productive, allowing commercial banks to be more competitive and successful.

Furthermore, this study established that organizational structure of Commercial banks has a significant moderating effect on cost leadership, differentiation, focus and performance. This can be concluded that when a bank's organizational structure is effective, it can lead to reduced costs, improved differentiation, and better overall performance. It also makes it easier for banks to focus on specific customer segments and product offerings. An effective organizational structure can also help to ensure that resources are allocated in a way that maximizes the benefits to the bank. Therefore, understanding and optimizing the organizational structure of Commercial banks is essential to achieving cost leadership, differentiation, focus and performance.

This study concludes that the 1st interaction (cost leadership and organization structure) is the best fit in the hierarchical regression model. This indicates that cost leadership and organization structure have a strong influence on the outcome of the regression model, which is performance of commercial banks. Additionally, it showed that these two variables are highly correlated with each other, suggesting that they are both important factors in determining the outcome of the model. Thus, this conclusion suggests that cost leadership and organization structure should be taken into account by commercial banks to realize better performance.

More so, hypothesis testing revealed that organizational structure has a significant moderating effect on the relationship between differentiation strategy and performance of commercial banks. This indicates that organizational structure should be taken into consideration when implementing differentiation strategies in order to maximize the performance of commercial banks. Moreover, this study provides evidence that organizational structure is an important factor to consider when managing and strategizing for commercial banks.

5.4 Recommendations

5.4.1 Practice and Management

Based on the findings, it is recommended that Commercial banks should focus on cost leadership, differentiation and focus strategies in order to maximize their performance. These strategies should be implemented in a way that enhances and strengthens their competitive advantage. Additionally, these strategies should be tailored to the needs of the bank’s target market and be regularly evaluated for their effectiveness.

Secondly, it is recommended that Commercial banks should review and improve their organizational structure in order to maximize performance. This may include restructuring departments, creating new roles, and implementing better communication techniques. Additionally, banks should look into ways to increase employee engagement and motivation in order to ensure that their organizational structure is effective.

Thirdly, this study recommends that commercial banks focus on increasing their cost leadership and streamlining their organization structure in order to improve their performance. This could include optimizing processes, reducing costs, and increasing efficiency. Additionally, banks should consider implementing new technologies and strategies to reduce costs and improve their overall performance.

Lastly, it is recommended that commercial banks should consider restructuring their organizational structure in order to maximize the performance benefits of their differentiation strategy. A well-structured organizational structure can ensure that the various components of the differentiation strategy are effectively implemented and monitored, thus leading to improved performance. Furthermore, it is also recommended that banks should regularly review their organizational structure in order to ensure that it remains aligned with their differentiation strategy.

5.4.2 Theoretical implication

The findings in this study affirms Porter's theoretical model that cost leadership, differentiation and focus strategies are important components of a successful commercial banking strategy. These strategies are essential for banks to remain competitive in the market and to be able to maximize their performance. However, the findings of this study also implicated porter's theory of competitiveness. The findings showed that an effective organizational structure is essential for finding competitive advantages through cost leadership, differentiation, and focus strategies. This is a new aspect that is not included in Porter's theory. This emphasizes that a well-structured commercial bank is able to identify and capitalize on opportunities to differentiate it from competitors and to focus on specific customer segments or products to maximize performance. Furthermore, an efficient organizational structure helps the bank to maintain cost leadership and ensure that its competitive strategies are implemented effectively.

5.4.3 Policy implication

The policy implication from this finding is that commercial banks should be encouraged to formulate strategic policies that incorporate organizational structure that is conducive to cost leadership, differentiation, focus, and performance. This could include initiatives such as increasing the number of layers in the organizational hierarchy, strengthening internal controls, and streamlining decision-making processes. Additionally, the banks should be encouraged to invest in training and development of their employees to ensure they are well-equipped to handle the challenges posed by the changing business environment.

Similarly, Central Bank of Kenya (CBK) as a regulator should implement policies that encourage Commercial Banks to implement organizational structures that can support cost leadership, differentiation and focus strategies. Banks should also be encouraged to develop a more flexible organizational structure that can respond to changes in the banking landscape. Furthermore, CBK should consider introducing incentives to further motivate banks to develop such structures. Banks should also be encouraged to use more advanced technology and automation to help facilitate effective organizational structures and cost leadership, differentiation and focus strategies for better performance.

5.5 Recommendations for Further Research

The study focused on the effect of IT systems on tax compliance of logistic companies in Nairobi, Kenya. This study recommends for a comparative study be undertaken between two or more other sectors, like manufacturing, telecommunication, health, education among others. Moreover, this study recommend for a study to investigate the impact of organizational structure on technological capabilities and performance of commercial banks.

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APPENDICES

Appendix I: Letter of Introduction

I am a student from MOI UNIVERSITY pursuing Master of Business Administration (Strategic Management). Currently, I am undertaking an academic research project on "*The effect of Organizational structure on the relationship between Competitive strategies and Firm performance of Commercial banks in Kenya*". I am currently collecting data and therefore, request you to fill the attached Questionnaire. The information given will only be used for academic purposes and kept confidential. No names of respondents or their business name(s) will be written on this questionnaire.

Thank You.

ABDIRAHMAN SHEIK

MBA/5331/21

Appendix II: Questionnaire for Directors and Managers

SECTION I: BACKGROUND INFORMATION

Indicate the level of agreement or disagreement with the following statements below:

1. What is your gender?

- ☐ Male
- ☐ Female

2. What is your age bracket below:

- ☐ 26-30 years
- ☐ 31-40 years
- ☐ 41-50 years
- ☐ Above 51 years

3. What is your education level ?

- ☐ College level
- ☐ University level
- ☐ Masters level
- ☐ PHd Level

4 . Work experience in banking sector

- ☐ Less than 5 years
- ☐ 6-10 years
- ☐ 11-15 YEARS
- ☐ 15 Years and above

SECTION II: COST LEADERSHIP STRATEGY

5. Indicate the level of agreement or disagreement with the following statements below. Use a scale of Likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
In our bank, we have maintained the low cost base as the primary determinant of the cost leadership strategy					
To achieve low cost leadership, our bank has ensured having a large market share					
Due to low cost leadership, our bank has experience less customer loyalty					
In our bank, maintenance of a low cost base is a vital and decisive task					

SECTION III: DIFFERENTIATION STRATEGY

6. Indicate the level of agreement or disagreement with the following statements below. Use a scale of Likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
Our bank has adopted differentiation strategy which has attracted competitors to enter our market segment and copy the differentiated product					
Our bank offers products/services that are different from its competitors					
My bank has ensured that there is a close relationship between the customers and the marketing team					
Our bank offers many product variations and a wide selection of products to cater for varied needs					

SECTION IV: FOCUS STRATEGY

7.Indicate the level of agreement or disagreement with the following statements below. Use a scale of Likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
Our bank has put in place mechanism to deal with different needs of the customers					
Our bank has a reputation for offering credits and other services to informal sector businesses					
Our bank offer special services aimed at corporate institutions in Kenya					
Our bank has focused on mobile money lending					
Our bank offer lending services to cooperatives societies					

SECTION V: ORGANIZATIONAL STRUCTURE

8. Indicate the level of agreement or disagreement with the following statements below. Use a scale of Likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
The organizational structure adopted by our bank has created optimum hierarchy levels within the institution					
Our bank has adopted an organizational structure that has facilitated optimal span of control for all the leaders within the institution					
Our bank has adopted an organizational structure that has facilitated excellent leadership team for implementing strategic objectives					
Our bank’s organizational structure fosters effective execution of strategic decisions					

SECTION VI: PERFORMANCE OF COMMERCIAL BANKS IN KENYA

9. Indicate the level of agreement or disagreement with the following statements below. Use a scale of Likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree.

Statements	**1**	**2**	**3**	**4**	**5**
Our bank has experienced high profitability in the last five years.					
Our bank have experienced organizational growth in the last five years					
Our customers are happy and satisfied with our products and services					
Our bank has improved on market value					
Our employees are well motivated and satisfied					

=======END=======

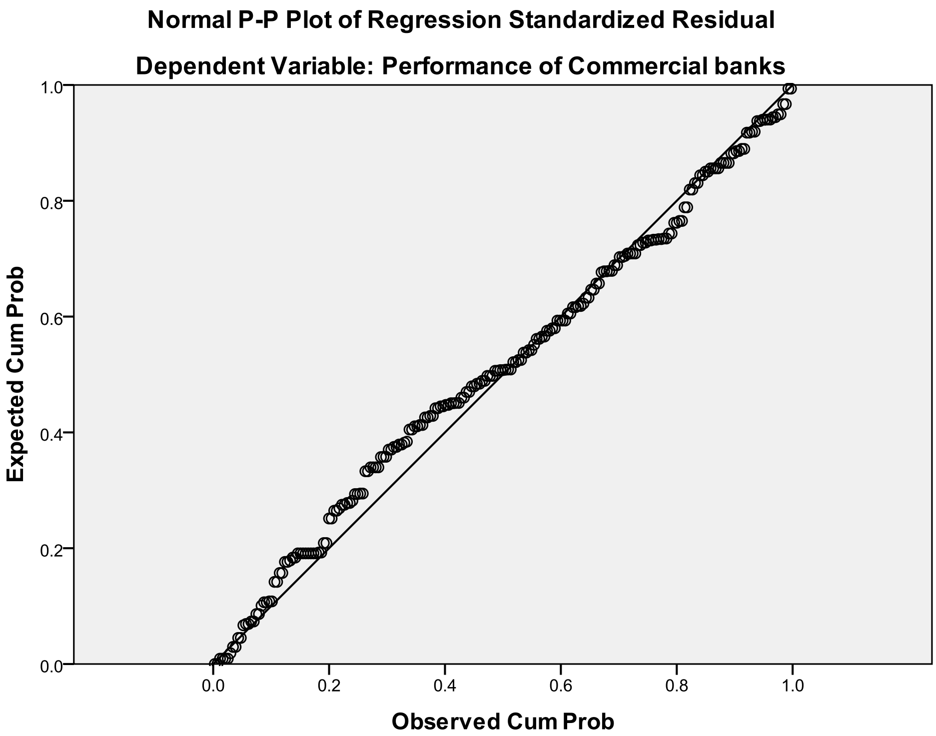
Appendix III: The Budget

ITEM	APPROX. COST (KES.)
1. Proposal Development	
a. Printing of 100 pages@ Kes 10	1000.00
b. Reproduction 5 copies@ Kes 300	1500.00
c. Binding 5 copies @ Kes 100	500.00
d. Travelling expenses and subsistence	6,000.00
e. Miscellaneous expenses	8,000.00
Data collection	
a. Books and reading material	8,000.00
b. Data collection, analysis and computer runtime	10,000.00
c. Photocopying	2,100.00
Data analysis and Thesis writing	
a. Data coding and analysis	10,000.00
b. Compilation and Printing final thesis	5,000.00
c. Photocopying	3,000.00
GRAND TOTAL	**55,100.00**

Appendix IV: Time Plan

Phase	Description	Number of weeks (3 months period)											
		1	2	3	4	5	6	7	8	9	10	11	12
1	Data collection												
2	Data analysis												
3	Result writing												
4	Report writing												
5	Compiling and Presentation												

Appendix V: Normality Plot



Source: Author (2023)

Appendix VI: Introductory letter

MOI UNIVERSITY
POSTGRADUATE OFFICE
SCHOOL OF BUSINESS AND ECONOMICS

Tel: 0722271134
0722685969
0715245347
Fax No: (053) 43047

P.O. Box 3900
Eldoret.
Kenya

RE: MU/SBE/PGR/ACD/21B

DATE: 22nd November, 2022

TO WHOM IT MAY CONCERN

RE: ABDIRAHMAN ABDULLAH SHEIK-MBA/5331/21

The above named is a bonafide student of Moi University School of Business and Economics, undertaking **Master of Business Administration**, specializing in **Strategic Management.**

He has successfully completed the coursework, defended his proposal, and is proceeding to the field to collect data for his research thesis titled: "***Effect of Organizational Structure on the Relationship Between Generic Competitive Strategies and Firm Performance Among Commercial Banks in Nairobi County.***"

Any assistance accorded to him will be highly appreciated.

Yours faithfully,

DEAN
School Of Business and Economics
MOI UNIVERSITY

DR. JOSEPHAT CHEBOI
DEAN, SCHOOL OF BUSINESS & ECONOMICS

Appendix VII: NACOSTI Research License

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 265496

Date of Issue: 06/December/2022

RESEARCH LICENSE

This is to Certify that Mr.. abdirahman Abdullah shiek of Moi University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Organizational structure, generic competitive strategies and performance among commercial banks in Nairobi county for the period ending : 06/December/2023.

License No: NACOSTI/P/22/22517

265496

Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code

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

See overleaf for conditions

Appendix VIII: Plagiarism Certificate

SR295

ISO 9001:2019 Certified Institution

EDU 999 THESIS WRITING COURSE

PLAGIARISM AWARENESS CERTIFICATE

This certificate is awarded to

ABDIRAHMAN ABDULLAH SHEIK

MBA/5331/21

In recognition for passing the University's plagiarism

Awareness test for Thesis: **ORGANIZATIONAL STRUCTURE, GENERIC COMPETITIVE STRATEGIES AND PERFORMANCE AMONG COMMERCIAL BANKS IN NAIROBI COUNTY**
With a similarity index of 14% and striving to maintain academic integrity.

Awarded by:

Prof. Anne Syomwene Kisilu
CERM-ESA Project Leader Date: 21/09/2023