COMPETITIVE INTELLIGENCE STRATEGIES AND PERFORMANCE OF COMMERCIAL BANKS IN GARRISA COUNTY, KENYA

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ABSTRACT

The rapidly changing business climate created by advances in technologies, economic and social changes as well as fast-shortening product life cycles, which lead to hyper-competition, demands that firms embrace competitive intelligence as a strategy. The design of competitive intelligence, as a process that monitors all elements of the external environment of an organization is still recent. Commercial banks have thus resulted in making use of various competitive intelligence aspects to ensure profitability. Despite the adoption of this competitive intelligence there is no study that has been done on the Kenyan banking industry to date. The general purpose of this study was to investigate the relationship between competitive intelligence strategies and performance of the commercial banks in Garrisa County, Kenya. The study was anchored on the following objectives; to establish the effect of product intelligence, market intelligence, technology intelligence and strategic alliance on performance of Commercial Banks in Garissa County, Kenya. This research study applied the descriptive research design. Descriptive research design was chosen because it enables the researcher to generalise the findings to a larger population. The target population composed of the 191 staffs employed at the 10 commercial banks within the County. Stratified random sampling technique was used and a sample of 25% will be selected which generates a sample of 48 respondents.

The study used a questionnaire administered using a drop and pick later method. Data collected was purely quantitative and it was analysed by descriptive analysis. The descriptive statistical tools such as Statistical Package for Social Sciences (SPSS Version 21.0) were used to extract frequencies, percentages, means and other central tendencies. It was realized that majority of the commercial banks in Kenya have embraced Competitive intelligence practices and have a functional CI framework. Some of the practices include use of modern technology, total quality management for efficiency and effectiveness, competitor analysis, updated document management system and promoting efficiency and effectiveness in operations and strategizing on cost reduction and profit maximization. The CI practices help in cost saving, time saving, revenue enhancement, timely delivery of service and quality output. However, the challenges faced in its implementation, the CI function is used to monitor both internal and external business environment, analyse competition, identify economic trends, identify political and regulatory issues and assess new technology innovations. The study recommends that commercial banks should embrace competitive intelligence practices to enhance their performance in terms of revenue and profit margins coupled with customer/client base.

Key Words: *competitive intelligence strategies and performance of commercial banks in Garrisa County, Kenya*

INTRODUCTION

Firms in the present day operate within a rapidly changing business climate created by advances in technologies, economic and social changes as well as fast-shortening product life cycles, which lead to hyper-competition (McGonagle & Vella, 2004). Such complex and unstable environment necessitates a growing need for timely, first-rate business information and knowledge. Thus, companies must devote a greater proportion of their resources to knowledge and innovation. Hannula & Pirttimaki (2003) argue that a competitive edge is gained through the ability to anticipate information, turn it into knowledge, craft it into intelligence relevant to the business environment, and actually use the knowledge gained from it. Organizations, thus, need to analyse carefully the business environment, especially the pressures and challenges caused by it, in order to thrive in the global digital economy. Competitive intelligence (CI) is the action of defining, gathering, analyzing, and distributing intelligence about products, customers, competitors, and any aspect of the environment needed to support executives and managers in strategic decision making for an organization. CI means understanding and learning what is happening in the world outside the business to increase one's competitiveness. It means learning as much as possible, as soon as possible, about one's industry in general, one's competitors, or one's county's particular zoning rules.

As economic competition in today's knowledge economy keeps increasing globally, many organizations are becoming more sensitive to shrinking budgets and realizing the need to invest/divest of capabilities (technology, resource, and other intangibles) to meet marketplace demand. Consequently, many organizations are initiating their own competitive intelligence (CI) services to advise their decision makers. In any competitive environment the striving for survival and competitive advantage is the driving force behind development. If the environment changes its actors have to change in order to adapt to the environmental change (Hughes, 2005). If any actor changes, all other actors have to take measure in order not to lose their relative advantage. This is the fundamental rule that all players have to follow in order to stay in the game. In an ever faster changing world the ability to adapt and anticipate change is crucial in order to secure survival (Tew, 2005). As such it is worth investigating the competitive intelligence strategies adopted in such a competitive environment and how they affect the overall performance of organizations.

Competitive Intelligence strategies

A business strategy is a long term plan of action designed to achieve a particular goal or set of goals or objectives. Strategy is management's game plan for strengthening the performance of the enterprise. It states how business should be conduct to achieve the desired goals. Competitive intelligence (CI) is a process for supporting both strategic and tactical decisions. In order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets (McGonagle & Vella, 2004). Whatever strategic framework the firm chooses to embrace for the

management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence. Competitive intelligence is more concerned with doing the right thing, than doing the thing right. The goal of competitor analysis is to develop a profile of the nature of strategy changes each of them might make, their possible response to the range of likely strategic moves other firms could make, and their likely reaction to industry changes and environmental shifts that might take place.

According to Patton & McKenna (2005) competitive intelligence should have a single-minded objective - to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company. Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization (Dishman & Calof, 2008). Competitive Intelligence (CI) is both a process and a product. The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization.

A more focused definition of CI regards it as the organizational function responsible for the early identification of risks and opportunities in the market before they become obvious (Parmar, 2004). This definition focuses attention on the difference between dissemination of widely available factual information (such as market statistics, financial reports, newspaper clippings) performed by functions such as libraries and information centres, and competitive intelligence which is a perspective on developments and events aimed at yielding a competitive edge. A firm which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack (Elizondo, 2002).

The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized fashion can lead to the failure of the firm itself. For a business to compete favourably, competitive intelligence strategies must come into play. Most commercial banks in Kenya have found it challenging in competing with rivals in the industry due to lack of or inadequate competitive intelligence strategies. This study therefore seeks to find out the competitive intelligence strategies employed by commercial banks in Kenya and establish their effect on their performance.

Firm Performance

Performance is the outcome of all of the organization's operations and strategies (Wheelen &Hunger, 2002). Firm's performance is the appraisal of prescribed indicators or standards of effectiveness, efficiency, and environmental accountability such as productivity, cycle time, regulatory compliance and waste reduction. Performance also refers to the metrics regarding how a certain request is handled, or the act of doing something effectively; of performing; using

knowledge as notable from just possessing it. It is the result of all of the organisation's operations and strategies (Venkatraman & Ramanujam, 2001). It is also the level to which an individual fulfils the expectations concerning how he should behave or function in a certain situation, context, circumstance or job. Oakland (1999) posited that performance is what individuals do relating to institutional roles.

Performance measurement systems offer the foundation to extend strategic plans, remunerate mangers and review an institution's completion of objectives (Alderfer, 2003). Although evaluation of performance in the marketing literature is still very vital, it is also complicated (Andersen & Segars, 2001). Whilst consensual dimension of performance promotes scholarly assessments and can elucidate managerial decisions, those in marketing have not been able to find apparent, present and consistent measures of performance on which marketing merit could be establish (Manogran, 2001). The financial performance of companies is usually measured using a blend of financial ratios analysis, measuring performance alongside budget, benchmarking or a combination of these methodologies. The common postulation, which explains most of the financial performance discussion and research is that increasing financial performance will result in improved functions and actions of the firms. The topic of financial performance and investigation into its measurement is well advanced in management and finance fields. It can be argued that there are three principal factors to advance financial performance for financial firms; the institution size, the institution asset management, and the institution operational efficiency (Fitzgerald, Johnston, Brignall, Silvestro & Voss, 2000).

Performance measurement is usually carried out using a performance measurement system, which consists of several individual measures. There are many frameworks for constructing such a system. The most commonly used model is the Balanced Scorecard (BSC) (Lönnqvist 2002, PMA 2001, Toivanen 2001). Others include; the Performance Prism and the Performance Pyramid (Neely & Adams 2000). The measures for the performance measurement system chosen are based on an organization's vision and strategy (Kaplan & Norton 1996). Measures are chosen to measure success factors from different points of view, such as that of the customer, employees, business processes and financial success, as well as from the point of view of past, current and future performance. This way, different aspects of an organisation's performance can be measured and managed. The study will seek to analyse the different competitive intelligence strategies employed by commercial banks in Kenya and how they affect their performance.

Commercial banks in Kenya are the main players in the financial sector and particularly in the banking industry in Kenya. The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members (Central Bank of Kenya, 2010). There are forty-six banks and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus

in Kenya. Thirty-five of the banks, most of which are small to medium sized, are locally owned. The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Nine of the major banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions.

Commercial Banks in Garissa County

The county is served by a total of 19 financial institutions. These include ten commercial banks, eight village banks and one micro-finance institution. Examples of these financial institutions are Kenya Commercial Bank, National Bank, Cooperative Bank, Barclays BanSk, Equity Bank, First Community Bank, Kenya Women Finance Trust Bank, Gulf African Bank and Post Bank. In addition there are also ten SACCOs including Garissa Teachers, Rema among others and two insurance companies including Takaful. Most of these financial institutions are based in Garissa town.

Garissa is a market centre and the commercial hub of the Garissa County. Livestock production is a significant part of the town's economy. Between 2005 and 2007, Garissa cattle producers earned over 1.8 billion shillings in sales in domestic and overseas markets. Construction on a new abattoir also began in October 2007. In terms of livestock imports, most of Garissa's cattle come from cross-border trade between Somali livestock merchants. The town therefore is home to all the commercial banks being considered for the study.

STATEMENT OF THE PROBLEM

Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence. Competitive intelligence is more concerned with doing the right thing, than doing the thing right. According to Baars & Kemper (2008) the design of competitive intelligence, as a process that monitors all elements of the external environment of an organization is still recent. Owing to the fact that specific developments in the business environment need to be closely monitored, it is imperative that senior corporate intelligence professionals think in terms of integrating competitive intelligence work with marketing intelligence work. Competition in the industry continually work to drive down the rate of return on capital invested. Commercial banks have thus resulted in making use of various competitive intelligence aspects to ensure profitability. Studies on competitive intelligence are generally limited. Although there are an expanding number of studies concerning the use of strategic information systems (Baars and Kemper, 2008, Korany, 2007), environmental uncertainty, for CI activities, none have addressed its organizational impact in an empirical study. In the area of CI research, several empirical studies have explored the relationship between usage of CI strategies and corporate performance. However, the conducted studies were independent of competitive intelligence strategies and performance for greater profitability (Li et al., 2008). The goal of a competitor analysis is to

develop a profile of the nature of strategy changes each competitor might make, each competitor's possible response to the range of likely strategic moves other firms could make, and each competitor's likely reaction to industry changes and environmental shifts that might take place. Competitive intelligence should have a single-minded objective; to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company. A firm which does not rigorously monitor and analyse key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyse and act upon competitive information in an organized fashion can lead to the failure of the firm itself. Despite the adoption of this competitive intelligence there is no study that has been done on the Kenyan banking industry to date. This study therefore sought to fill the existing knowledge gap by carrying out an investigation of the relationship between competitive intelligence strategies and performance of the commercial banks in Kenya with a special focus on Garissa County.

GENERAL OBJECTIVE

The main objective of this study was to investigate the relationship between competitive intelligence strategies and performance of the commercial banks in Garissa County, Kenya.

SPECIFIC OBJECTIVES

1. To establish the relationship between product intelligence strategies and performance of the commercial banks in Garissa County, Kenya.
2. To investigate the effects of markets intelligence strategies on the performance of the commercial banks in Garissa County, Kenya.
3. To assess relationship between technology intelligence strategies on performance of commercial banks in Garissa County, Kenya.
4. To establish the influence of strategic alliance intelligence strategies on performance of commercial banks in Garissa County, Kenya.

THEORETICAL REVIEW

Theory of strategic balancing

The theory of strategic balancing was developed by Scott and Meyer in 1991. The theory states that moderately differentiated firms have higher performance than either highly conforming or highly differentiated firms. It addresses relations among strategic similarity, competition, legitimacy, and performance. The unit of theorizing is the individual firm.

Strategy is conceptualized as a firm's realized position in its competitive market (Mintzberg, 1987; Porter, 1980). Each firm's strategic position is supported by its

resources and capabilities, reflecting the idea that resources and positions are two sides of the same coin (Wernerfelt, 1984). From the perspective of organization theory, a firm's realized strategic position is analogous to an organization's actual domain, that is, the markets an organization serves and the technologies (i.e., resources) it uses to serve them (Haveman, 1993; Levine and White, 1961; Thompson, 1967). A firm interacts not only with competitors but also with other actors in the external environment, which is divided into the organizational field and the general environment.

Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors' behaviour, including the system of leaders' values (Calori et al., 1989). Further to an empirical study on technological alliances, the principle of strategic balancing to which a technological alliance generates paradoxes and lives by its paradoxes. The theory of the network organization, proposes the network organization as a flexible structure, unlike the traditional company which is complicated to build and maintain. In the network organization, internal cooperation and market-based competition; giving way to competition are simultaneously present (Wehrmann, 2005).

The network organization theory not only emphasizes the human and relational dimension, but also operates according to a horizontal mode of organization aiming at integrating the data of its partners into its information systems. It enables this type of organization to better control the risks and to be more proactive than a traditional company.

Ansoff's Growth Matrix

The Ansoff's Product-Market Growth Matrix is a marketing tool created by Igor Ansoff in 1957. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets –there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken, given current performance. The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities -the existing product and the existing market.

Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than penetration (existing product and existing market) and diversification (new product and new market) generally carries the greatest risk, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value although it does always offer a useful reminder of the options which are open.

The Ansoff Growth matrix is another marketing planning tool that helps a business determine its product and market growth strategy. Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or

existing markets. The output from the Ansoff product/market matrix is a series of suggested growth strategies which set the direction for the business strategy.

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. Market penetration seeks to achieve four main objectives which include to maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling, securing dominance of growth markets, restructuring a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors and increasing usage by existing customers. A market penetration marketing strategy is very much about "business as usual". The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market research.

A strategy of product development is particularly suitable for a business where the product needs to be differentiated in order to remain competitive. A successful product development strategy places the marketing emphasis on research and development and innovation, detailed insights into customer needs (and how they change) and being first to market. This is very relevant in the every competitive and innovative banking industry. According to this theory, there is also need to diversify after penetration and product development. For a business to adopt a diversification strategy, therefore, it must have a clear idea about what it expects to gain from the strategy and an honest assessment of the risks. However, for the right balance between risk and reward, a marketing strategy of diversification can be highly rewarding.

Porter's generic strategy

Porter's, (1985) view that low cost and differentiation are discrete ends of a continuum that may never be associated with one another sparked much conceptual debate and empirical research. This debate may have been encouraged in part because of the absence of conceptual building blocks supporting his value system theory. Scholars have since developed a theory to counter Porter's view, suggesting that low cost and differentiation may actually be independent dimensions that should be vigorously pursued simultaneously (Hill, 1998).

As firms are led to utilize information and knowledge in a complex environment, they often do not act on their own. Besides, alliances between direct competitors set the trend. Indeed, horizontal inter-firm ties have grown in the shape of mergers-acquisitions, partnerships, agreements, and mostly alliances. In the face of the increasing number of strategic alliances, it is advisable to shed light on this type of tie. The number of alliances bringing competitors together, which already accounted for over 50% in 2000 (Margulis & Pekár, 2000), is increasing. Synonymous with bank competition, competition is the art of competing and cooperating

simultaneously with partners, including direct competitors (Brandenburger & Nalebuff, 2006). Moreover, competition fosters information and knowledge sharing, since competitors access immaterial resources in an interactive way, due the network structure of modern organizations.

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

Now, competitive intelligence has the main function of controlling information and knowledge, whether it is within an organization or in a network of organizations. In his report, Martre (1994) refers three times to the increasingly complex modes of competition characterized by the cooperation-competition relationships to which companies must adapt. He thus recommends using competitive intelligence in order to help firms adjust their strategy to the new paradigm of competition. As for McCord (2002), she states that competition leads to collaboration and competitive intelligence. Competitive intelligence programmes are mainly located in one of three functions within an organization: marketing, planning and R&D (Prescott, 2001). From this it can be deduced that issues relating to new product development, launching a new product on the market, and using facilitative technology such as the Internet, need to be placed within a strategic marketing framework that encompasses the concept of relationship marketing.

This will ensure that managers remain market oriented and innovative, and embrace the benefits associated with organizational learning (Slater & Narver, 1995, 1998). Should this be the case, it should be relatively straightforward for managers to implement a strategic marketing concept as outlined by Aaker (1998), and also develop a sustainable competitive advantage for the organization. Furthermore, it should be possible to implement market driven strategies (Day, 1990) that are placed within a relationship enhancing context and this will result in the required positioning being achieved within the industry within which the organization competes (Cravens, 1998). Those undertaking competitive intelligence need to communicate with various stakeholders and references to this have been made by (Hussey ,1998). There is a large amount of published information available that can be used including legitimate intelligence gathering, and Hussey (1998) has indicated that top management within an organization need to define what competitive intelligence involves. This is necessary if corporate intelligence staffs are to have an input into the strategic decision-making process. Powell & Allgaier (1998) have made a useful observation by suggesting that in order for competitive intelligence output to be

beneficial, those involved in competitive intelligence work need to make available the results of their intelligence analysis to decision makers both quickly and effectively (Allgaier 1998).

It is useful to reflect on the various contributions a number of competitive intelligence experts have made to the subject matter. For example, Prescott & Bhardwaj (1995, p. 5) make reference to the fact that a competitive intelligence programme is composed of four interrelated components: administration, personnel, core project tasks, and outcomes. A key point to emerge from the work of Prescott and Bhardwaj (1995) is that senior managers need to think in terms of developing an organizational structure that meets the unique needs of the organization. Other important points to emerge from the literature are that competitive intelligence programmes need to provide an understanding of the industry itself and the type of competitors operating in the industry; areas of vulnerability need to be identified; and the possible moves of competitors need to be evaluated in order to understand how industry dynamics might change (Prescott, 1995, pp. 5-6). The relevance of a competitive intelligence industry specific approach has been highlighted by Marceau & Sawka (2001).

Competitive intelligence programme should focus on the management-needs identification process and a number of companies have achieved this (for example, Motorola, Merck & NutraSweet). Herring (1999) applied the key intelligence topics (KIT) process in order to identify and prioritize the key intelligence needs of senior management and the organization itself. This ensured that intelligence operations were effective and appropriate intelligence was produced. Herring's (1999) approach is useful because it allows corporate intelligence staff to identify strategic issues and as a result senior management can ensure that actionable intelligence results. The other advantages are that an early warning system can be put in place and this will allow potential threats to be identified; and further, key players can be identified and monitored (Herring, 1999). This type of approach can be regarded as both logical and necessary with respect to the international marketplace. For example, Tessun (2001) has outlined how staffs at Daimler-Benz Aerospace use a scenario methodology to produce a strategic early warning system that underpins the production/modification of business plans and strategies. This reinforces the point made earlier that corporate intelligence staffs need to be concerned with theory building. This view can be defended on the basis that senior managers within the organization are demanding informed/accurate intelligence, and are requesting that it is made available at the earliest opportunity.

EMPIRICAL REVIEW

Market Intelligence and Performance

Market intelligence (MI) is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market (Fleisher Craig 2003). A time-based competitive

tactic, MI insights are used by marketing and sales managers to hone their marketing efforts so as to more quickly respond to consumers in a fast-moving, vertical (i.e., industry) marketplace. Craig Fleisher suggests it is not distributed as widely as some forms of CI, which are distributed to other (non-marketing) decision-makers as well (Skyrme, 1989). Market intelligence also has a shorter-term time horizon than many other intelligence areas and is usually measured in days, weeks, or, in some slower-moving industries, a handful of months.

Market innovation is concerned with improving the mix of target markets and how chosen markets are best served. Its purpose is to identify better (new) potential markets; and better (new) ways to serve target markets. One has to deal first with the identification of potential markets. Identification is achieved through skilful market segmentation. Market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. Incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread.

It is the prime responsibility of marketing specialists to provide such insights. Sometimes this responsibility is seen to cover solely the identification of present and likely future geographical market opportunities. Geography is, however, only one simple way for segmenting markets. A very wide range of possible criteria exists for segmenting, stretching from objective criteria based on demographic data through to subjective criteria based on life style interpretations of consumer and business buying behaviour.

Product Differentiation Intelligence and Performance

Product intelligence as strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product. Product intelligence strategies mainly deal with functions within an organization (Prescott, 2001). From this it can be deduced that issues relating to new product development, launching a new product on the market, and using facilitative technology such as the Internet, need to be placed within a strategic marketing framework that encompasses the concept of relationship marketing. The relevance of a competitive intelligence industry specific approach has been highlighted by Marceau and Sawka (2001).

This applies in competitive intelligence which is influenced by where one stands within the product life cycle. When new products are under development and not yet marketed, competitive intelligence will focus on the marketplace. Once the product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer. As the products gains market attention, the emphasis shifts to the competition. The intelligent products deliver a whole new range of capabilities that cannot be found in other products. For example, many of these products are autonomous and reactive or they can co-operate with other products.

Product intelligence as strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product intelligence – even though the nature of this relationship still remains largely unresolved (Park, 2002). Early studies have argued that product intelligence was valuable from a conceptual perspective, increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects. In contrast, more recent research has found that conglomerate firms have significantly lower profitability. It has also been shown that highly diversified firms have less market power in their respective markets than more focused firms.

Product intelligence has been found to be negatively related to firm value and to occur in firms with less managerial and shareholder equity ownership (Denis et al., 1997). Researchers suggest that each form of corporate strategy is associated with a different set of economic benefits. In the case of related product diversification intelligence, the main economic benefits are economies of integration and economies of scope. Economies of integration provide the firm with lower costs of production. Also, in the strategic management literature, researchers have argued that the primary determinant of firm performance is not the extent of product diversification intelligence, but the relatedness in product intelligence.

Technological Intelligence and Performance

Technology intelligence exerts a significant influence on the ability to innovate and is viewed both as a major source of competitive advantage and of new product innovation. Often, companys experience problems in this area, which are caused by lack of capital expenditure on technology and insufficient expertise to use the technology to its maximum effectiveness (Alstrup, 2000). The critical role of technological innovation in the development of a company and its contribution on the economic growth of firms has been widely documented. Ayres (2008) identified technology as the wealth of companies. According to Abernathy and Utterback, (2005) the primary role of technological innovation is to assure the survival of the entity, as well as the business ecosystem, which in turn is based on achieving sustainable financial performance.

Gerstenfield and Wortzel (2007) analyzed the relationship between the usage of Internet-based innovation technologies, different types of innovation, and financial performance at the firm level. Data for the empirical investigation originated from a sample of 7,302 European enterprises. The empirical results show that Internet-based innovation technologies were an important enabler of innovation in the year 2003. It was found that all studied types of innovation, including Internet-enabled and non-Internet-enabled product or technological innovations, are positively associated with turnover and employment growth. Finally, it was found that innovative activity is most of the time associated with higher profitability. According to Adam & Farber, (2000), in the organizational context, technological innovation may be linked to performance and growth through improvements in efficiency, productivity, quality,

competitive positioning and market share, among others. They also found that technological innovation is positively related with performance.

Regarding the importance of technological innovation, there are a huge body of knowledge like, technological innovation is a means of survival and growth of industrial sectors or technological innovation is recognized as a major contributor of economic growth and a dominant factor of business success not only in developed countries but also in DCs (Pack &Westphal, 2006; Wilkinson, 2003). Gerstenfield & Wortzel (2007) suggested that one of the requirements for economic and industrial development of DCs is their ability to innovate successfully. According to Tefler (2002), a company must innovate or die, the process of innovation is fundamental to a healthy and viable organization. Those who do not innovate ultimately fail.

Hill & Utterback (2009) identified technological innovation as a major agent of development and change in societies which has been linked to rising productivity, employment growth and a strong position in export markets, trade and improved quality of life. However, the inherent complexity of the process of technological innovation and its involvement in interaction with different environmental as well as industry-specific factors, made studies of the characteristics of technological innovation seem difficult to carry out. Organisations should obliterate rather than automate believing that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. However, banking companies' traditional lack of resources usually results in a compromise situation. It is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organizations that can combine customer value innovation with technology intelligence have an increased chance of enjoying sustainable growth and profit.

Strategic Alliances Intelligence and Performance

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

Two types of internal organizational uncertainty can be reduced through strategic alliances. The first is scarcity of resources. Organizations can join in alliances to share resources, essentially leveraging their resources with other parties of the alliance. The second internal uncertainty is referred to as operational uncertainty, which describes uncertainty caused by a lack of information and knowledge of necessary actions required to remain effective as an organization. Organizations can join strategic alliances to reduce operational uncertainty by acquiring the knowledge base of partners in the alliance and/or forming a strong enough competitive position through the alliance whereby the alliance can establish "rules of the game" in terms of competitive requirements in an industry.

Strategic information planning is a necessary part of competitive intelligence work and it requires that a link is made between critical success factors and operating success factors This means that new strategic organizational frameworks need to be designed in order to accommodate the emerging communication processes and systems. A number of these communication processes and systems will be integrated into what is becoming an interactive organizational process. The interactive, organizational intelligence process facilitates intra- and inter-organizational activities. With regard to the latter, it can be stated that regarding the business continuity planning, closer relations need to be developed between the organizations and government agencies. Firmer links also need to be made between the organizations and their respective trade associations, if, that is, relevant intelligence is to be shared with other organizations in the industry (Hussey and Jenster, 1999).

RESEARCH METHODOLOGY

Research Design

Research design refers to the method used to carry out a research. Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. The research study applied the descriptive research design in the process of determining the findings in relation to the relationship between competitive intelligence strategies and performance of the commercial banks in Garissa County, Kenya. According to Cooper and Schindler (2006), a descriptive study is concerned with finding out the what, where and how of a phenomenon.

Target Population

According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. In this study, the target population composed of the 191 members of management staff employed at the commercial banks in Garissa County. The structure in banks has put staff in three categories; top management level consists of the executives (head of departments and the deputy heads of departments); middle management comprises functional heads (tactical level of management and

comprised all the senior and middle level officers in all departments of the company who are tasked with the responsibility of implementing policies made) while low level management is mainly unionisable staff (accounting and customer attendant officers whose main duty is performing daily tasks which are routine and repetitive in the company).

Sampling Procedure and Sample Size

The sampling plan describes how the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame describes the list of all population units from which the sample will be selected (Cooper & Schindler, 2003). Stratified random sampling technique was used since population of interest is not homogeneous and could be subdivided into groups or strata to obtain a representative sample. From the above population of 191, a sample of 25% will be selected from within each group in proportions that each group bears to the study population which forms a sample of 48 respondents.

Data Collection Procedure

According to Ngechu (2004) there are many methods of data collection. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem question, objectives, design, expected data and results. This is because each tool and instrument collects specific data. Also, Best & Kahn (2004) posit that data may be collected by a wide variety of methods. Primary data is gathered and generated for the project at hand. Primary data is information gathered directly from respondents and for this study the study will use questionnaires. The study used a questionnaire which was administered to each member of the sample population. The questionnaire had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The closed ended questions was used to test the rating of various attributes and this helps in reducing the number of related responses in order to obtain more varied responses. The open-ended questions provided additional information that may not have been captured in the close-ended questions. The questionnaire was carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

Data Analysis and Presentation

Before processing the responses, the completed questionnaires was edited for completeness and consistency. The data was coded to enable the responses to be grouped into various categories. Data collected was purely quantitative and it will be analyzed by descriptive analysis. The descriptive statistical tools such as Statistical Package for Social Sciences (SPSS Version 21.0) will help the researcher to describe the data and determine the extent used. The findings was presented using tables and charts. Data analysis used frequencies, percentages, means and other central tendencies. Tables and figures was used to summarize responses for further analysis and

facilitate comparison. This provided the generalization of the findings on the relationship between competitive intelligence strategies and performance of commercial banks in Kenya.

In addition, the researcher carried out a multiple regression analysis so as to determine the relationship between competitive intelligence strategies and performance of commercial banks. The regression equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$):

Where: Y = Performance of commercial banks; X_1 = New market intelligence; X_2 = Product intelligence; X_3 = Technological intelligence; X_4 = Strategic alliance intelligence; $\beta_1, \beta_2, \beta_3, \beta_4$ = Regression Coefficients; ε = Error term

The data was broken down into the different aspects of relationship between competitive intelligence strategies and performance of commercial banks in Kenya. This offered a quantitative and qualitative description of the objectives of the study.

RESEARCH RESULTS

The study realized that Commercial banks is ISO certified and complies with the International Quality Management Standards. This recognition was given based on their structures and performance. The Bank also takes knowledge management to be a key issue in learning and sharing of skills. It was discovered that the company has a good communication structure with an internet, extranet and a website. This was evident with the partnership with the international telecommunication company IBM and Silicon Valley. All these were aimed at improving online communication and maintain easy flow of information within and with other organizations. This creates a forum for exchange of information especially on competitive intelligence. Most banks therefore in Kenya do have internet websites and do run social media pages like Facebook and Twitter. It was also learnt that the bank runs a document management or content management, archive and work flow system. This has been achieved by running a back-up for official company documents, proper and computerised filing system and going paperless hence cutting costs of filing.

Commercial banks has a high market share in the industry being the largest bank in Kenya in terms of customer base and this market share is on the climbing lane. This calls for improved CI function and implementation since the industry is mature and still growing. From the findings commercial banks is rated high based on its strength, capital base, competitiveness and attractiveness of the banking sector in Kenya with a mean of more than 4. This indicates that the Bank has a competitive edge over its rivals in the banking industry. The industry being attractive indicates that more entrants are expected hence increasing the competition and creating a need for a complex and updated CI function.

It was discovered that the Bank has a CI function which is done both in-house and from external or outside sources and it has a formal CI function and process assigned to a group which comes

up with strategies and tacts to ensure the bank remains competitive and relevant with the rapid changes in the banking sector. The study realized that the CI function has been in existence for the 3 to 5 years. This indicates that it is fully operational and has grown to cater for the rising needs of the bank.

The study established that the CI function in Commercial banks has a central function therefore making it closely linked to management and operations. Information from the department is key in future planning and especially for promoting research and development in the firm. Most intelligence requests are made by the R&D department since they discover new approaches to marketing, planning, cost cutting and new product.

The Research and development department, apart from being the leading in intelligence requests, it is also the department which delivers the most input in the CI function in the banking industry, Commercial banks being a member. Table 4.3 indicates that Marketing department being out to get more clients and portray image of the firm were the leading at 40% followed by sales, board level and research and development that need to improve on development and come up with new strategies. From Figure 8, it is evident that CI information is taken to be crucial and therefore used widely in making organizational decisions and planning.

The participation of other employees in CI activities is also crucial in ensuring that the function impacts on organizational performance. The study discovered that all employees took up the CI implementation widely despite the obstacles. The research realized that the following obstacles tabulated below were evident in the implementation of the CI function;

From the findings, rivalries between departments was the leading obstacle in the implementation of the CI function since each department wants to shine and perform better than the rest, lack of sharing information in departments, lack of management support and very political environment were also significant drawbacks.

The CI function in Commercial banks has the following contents as the study unearthed; mission statement, ethical guidelines, gets feedback from the CI users, promotes CI internally and shares its findings within its members. The information however is not made public to avoid sharing it with rivals. The information equally is not trusted with some cadres of employees hence the impediment. It was realized that strategic thinking, presentation, analytical and research skills are key in CI function.

The CI function is used to monitor and detect changes among commercial banks in Kenya where Commercial banks is a player. The study found out that CI helps to monitor Technology, customer base, competitors, Ecology, suppliers and economics. The study also found that CI plays a significant role in analysing competition, monitoring the external environment, identifying political and regulatory issues, identifying economic trends and assessing new technology innovations. CI being crucial in an organization, most meetings involve the influence

of the function like strategic management meetings, marketing meetings, product management meetings, sales meetings and senior management meetings. 85% of the respondents indicated that such meeting require CI input and output.

The output of the CI function is used in decision making in organizations and planning. Some of the areas that require the output according to the respondents are; decision making, strategic planning, operational planning, tactical planning, marketing position, qualitative decisions and quantitative decisions. These areas require competitive intelligence information to guide their direction, future and areas of improvement. The CI function is used on deciding on the strategy of the organization or change, merger and acquisition of other firms, identifying new markets, the direction R & D or products take, internationalization (entering new markets or next target countries), identifying of new customer groups or needs and wants, operational issues on increasing or decreasing production capacity and identifying potential threats among others. The Information so obtained is used to establish substitutes, new or old competitors and suppliers to help gain competitive advantage. Commercial banks was found to also use CI in their decision making and planning. The CI output therefore, supports tactical, strategic, technical and operational planning/decision making issues among others in an organization.

The study realized that the CI function in coommercial banks in Kenya is measured through its return on investment, value of the output of a firm, organizational effectiveness, time saving, output of the intelligence, revenue or profit enhancement, us eof CI ouptput (visitors on CI intranet), knowledge management and how it fosters sharing of information.

Commercial banks was found to use external (re)sources for market research to a large extent at 65% and 35% to a little extent. The bank involves external research companies apart from doing their own research. Consultants would also be hired to conduct internal research.

CI function offers competitor information, success factor analyis, financial analysis, scenario planning/simulation and models, win/loss, trade show analsyis, R & D development and forecasting, SWOT analysis, management profiling, benchmarking, market research/ analsys among others. This indicates that the CI function has a wide spectrum of services and products that its offers in any organizaton, commercial banks included. It is a crucial segment in any analysis regarding performance.

From the findings, the banks have embraced all modern methods of communication in distributing their services and products. From the table 52.5% of the respondents rated the performance of Commercial banks at 5, 37.5% rated it at 4 while 10% rated it at 3. This indicates that the Bank is performing well based on its growing customer base and profit/revenue margins.

From the regression, there is a strong and significant relationship between competitive intelligence practices and performance on an organization. This is indicated by a high correlation coefficient 0.995 which is close to 1. This validates the study.

REGRESSION ANALYSIS

Table 1: Coefficient of Determination (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
	.920	.846	.7810	.80139	0.04

The four independent variables that were studied, explain 84.6% of the performance of Commercial banks as represented by the R2. This therefore means that other factors not studied in this research contribute 16.0% of the profitability of the Banks in Kenya. Coefficient of determination findings as explained by the P-value of 0.004 which is less than 0.05 (significance level of 5%) confirms the existence of correlation between the independent and dependent variables.

Table 2: ANOVA

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.334	0.311		5.750	.0000
Market intelligence	0.244	0.164	0.193	2.650	.0027
Product intelligence	0.296	0.0481	0.0327	3.534	.0012
Technology intelligence	0.398	0.0714	0.2325	3.686	.0010
Strategic alliance intelligence	0.218	0.0501	0.0484	2.450	.0038

In addition, the researcher conducted a multiple regression analysis so as to determine the relationship between performance of Commercial banks and the four variables. As per the SPSS generated table, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$) becomes:

$$Y = 1.334 + -0.244 X_1 + 0.296X_2 + 0.3981X_3 + 0.218\beta_4X_4 + \varepsilon$$

Where: Y = performance of Commercial banks, X_1 = market intelligence, X_2 = product intelligence, X_3 = technology intelligence and X_4 = strategic alliance intelligence.

According to the regression equation established, taking all factors (market intelligence, product intelligence, technology intelligence and strategic alliance intelligence) constant at zero, the profitability of the Banks as a result of competitive intelligence practices will be 1.334. Further, taking all other independent variables at zero, a unit increase in market intelligence practice will lead to a 0.244 increase in profitability. A unit increase in product intelligence will lead to a 0.296 increase in profitability; a unit increase in technology intelligence will lead to a 0.398 increase in profitability while a unit increase in strategic alliance practice will lead to a 0.218 increase in profitability. This infers that technology intelligence contributed more to the profitability of the Bank followed by product intelligence.

At 5% level of significance and 95% level of confidence, technology intelligence had a 0.0010 level of significance, product intelligence had a 0.0012 level of significance, market intelligence showed a 0.0027 level of significant, while strategic alliance intelligence showed a 0.0038 level of significance. Hence technology intelligence is the most significant factor in contributing to the profitability of Banks in Kenya followed by product, market and strategic alliance intelligence respectively. The t critical at 5% level of significance at k = 4 degrees of freedom is 2.315. Since all t calculated values were above 2.315 then all the variables were significant in explaining the profitability of the Banks in Kenya. This is in agreement with a study by Tefler (2002) and Hill & Utterback (2009) who deduced that competitive intelligence practices if well applied induce positive financial performance of firms. In our case, Commercial banks the application of technology, product, market and strategic alliance competitive intelligence practices has contributed positively to the success of the company.

CONCLUSIONS

The findings indicate that a majority of the commercial banks in Kenya have embraced Competitive intelligence practices and have a functional CI framework. Some of the practices include use of modern technology, total quality management for efficiency and effectiveness, competitor analysis, updated document management system and promoting efficiency and effectiveness in operations and strategizing on cost reduction and profit maximization. The CI practices help in cost saving, time saving, revenue enhancement, timely delivery of service and quality output. However, the challenges faced in its implementation, the CI function is used to monitor both internal and external business environment, analyse competition, identify economic trends, identify political and regulatory issues and assess new technology innovations. The function is core in organizational planning and decision making. All market research rely on the CI output and therefore influencing business performance and forecasting. From the regression involving the independent variable, competitive intelligence practices and the dependent variable, company performance indicates that there is a strong and significant relationship between application of competitive intelligence practices and organizational performance especially among commercial banks in Kenya.

RECOMMENDATIONS

The study recommends that commercial banks should embrace competitive intelligence practices to enhance their performance in terms of revenue and profit margins coupled with customer/client base. The study recommends further that, the banks should work closely with other institutions that provide complementary services such as universities, colleges and the Ministry of Finance both in the County government the National government.

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