

## **COMPETITIVE INTELLIGENCE PRACTICES AND PERFORMANCE OF EQUITY BANK LIMITED**

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## **ABSTRACT**

The rapidly changing business climate created by advances in technologies, economic and social changes demands that firms embrace competitive intelligence 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 performance. The main objective of the study was to investigate the relationship between competitive intelligence practices and performance of commercial banks in Kenya. The specific objectives were to establish how product intelligence practices, markets intelligence practices, technology intelligence practices and strategic intelligence influence performance of commercial banks in Kenya. The research was based on four theories; theory of strategic balancing and theory of network organization all explaining the orientation of a firm in the aspects that are strategically related to competitive intelligence strategies adopted by organizations. This research study applied the descriptive research design. The target population composed of the 191 management staffs employed at

Equity Bank head offices in Nairobi. A sample of 25% was selected from within each group in proportions using stratified random sampling technique. This generated a sample of 48 respondents. The study used a survey questionnaire administered using a drop and pick later method. Data collected was purely quantitative and it was analyzed by descriptive and inferential statistical analysis. The descriptive and inferential statistical tools such as Statistical Package for Social Sciences (SPSS Version 21.0) and MS Excel were used to extract frequencies, percentages, means and other central tendencies. Tables and figures were used to summarize responses for further analysis and facilitate comparison. A multiple regression analysis was conducted to show the strength of the relationship between the variables. The findings indicated that a majority of the commercial banks in Kenya have embraced Competitive intelligence practices and have a functional CI framework. The study concludes that technology, product, market and strategic alliance competitive intelligence practices affect the performance of commercial banks in Kenya.

**Key Words:** *competitive intelligence practices, performance, Equity Bank Limited*

## **INTRODUCTION**

Competitive intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization (Fleisher, 2003). Competitive Intelligence (CI) is both a process and a product. The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization. A more focused definition of CI regards it as the organizational

function responsible for the early identification of risks and opportunities in the market before they become obvious (Comai and Joaquin, 2007). This definition focuses attention on the difference between dissemination of widely available factual information (such as market statistics, financial reports, newspaper clippings) performed by functions such as libraries and information centers, and competitive intelligence which is a perspective on developments and events aimed at yielding a competitive edge.

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 analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors.

Competitive intelligence (CI) is a process for supporting both strategic and tactical decisions, and in order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets (McGonagle and 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 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.

### **Concept of Competitive Intelligence**

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 centers, and competitive intelligence which is a perspective on developments and events aimed at yielding a competitive edge. A firm which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack (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. 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 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 (Britt, 2006). 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.

### **Bank 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 managers 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). Two methods have been adopted in the literature to determine financial performance. Longer term performance has been preferred for two reasons: firstly since that is what the customers of "retail" products for instance unit trusts might be likely to be examining particularly considering the charging arrangements which make shorter term investment imprudent. Secondly, one of the reasons of looking at "real" products rather than theoretical studies is how administrative costs give the results. In principle, such costs might appear in either front-end or regular annual management charges. Using five-year offer-to-bid figures should arrest such effects in spite of the choices of individual institutions as to how to split costs among the two types of charges.

### **Equity Bank of Kenya**

Equity Bank Limited (EBL) was founded in 1984 as a Building Society with the purpose to pool resources of members for onward provision of mortgage facilities. With time, the growth in business volume and outreach necessitated the conversion to a fully fledged commercial bank, which was registered on 30th December 2004. Its establishment was motivated by the desire to create a financial service provider which would touch base with majority of the unbanked Kenyan population. The growth in business volume and outreach necessitated the conversion to a fully-fledged commercial bank which was dully registered on December 31, 2004 as Equity Bank Limited (EBL). Equity Building Society comprehensively implemented the change management process according to international standards with the support of Stepwise international, a team of consultants from Germany - putting emphasis on quality customer service (customer centrisim) and customer focused products. It is at this time that they came up with the Equity Bank's alignment model emphasizing on the need to balance out between the strategy, customers and markets, systems and processes, People (staff), Leadership and governance in addition to the environment they are operating in.

In 2000 Equity bank launched computerized management information system. This change contributed to improved productivity, efficiency and an expansion of the portfolio. Equity Bank is focused on provision of banking services to the microfinance sector of the economy. These services include salary processing, financial intermediation between savers and borrowers, customer accounts, insurance, custodial services and financial advisory. The target market is the

lower income individuals in formal wage earning employment and small to medium sized enterprises. Recently, the bank has started venturing into corporate banking with the acquisition of Renaissance capital in May 2009, as one of its subsidiaries focusing mainly on investment banking. The bank had, as at December 2009, an asset base of KSh.100 billion up from Ksh. 78 billion as at December 2008. Shareholders' funds stood at Ksh. 21 billion, the rest of the financing is mainly from customer deposits which stood at Ksh.69.8 billion.

## **STATEMENT OF THE PROBLEM**

Whatever strategic framework a 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 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. The design of competitive intelligence, as a process that monitors all elements of the external environment of an organization is still recent (Baars & Kemper, 2008). 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 performance. 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 practices and corporate performance. However, the conducted studies were independent of competitive intelligence practices and performance for greater performance (Li et al., 2008). In Kenya, few studies have been done on competitive intelligence. Mutua (2010) did a research on competitive intelligence practices by Essar Telcom (YU) (K) Ltd. Muiva, (2001) conducted a survey on the use of competitive intelligence systems in the Kenyan Pharmaceutical Industry while Kipkorir, (2001) researched on competitive intelligence practices by FM radio stations operating in Kenya. These studies were however done on different institutions other than commercial banks in Kenya. This is despite the fact that the commercial banking sector in Kenya is facing many challenges posed by the competitive environment in the commercial banking industry in general. Despite the adoption of competitive intelligence practices, few studies that have been done on the Kenyan banking industry. This study therefore sought to fill the existing knowledge gap by carrying out an investigation of the relationship between competitive intelligence practices and performance of the commercial banks in Kenya with a special focus on Equity Bank Limited.

## **GENERAL OBJECTIVE**

The main objective of this study was to investigate the relationship between competitive intelligence practices and performance of the commercial banks in Kenya where Equity Bank was the context of focus.

## **SPECIFIC OBJECTIVES**

1. To establish the relationship between product intelligence practices and performance of the commercial banks in Kenya.
2. To investigate whether markets intelligence practices employed by commercial banks have an effect on the performance of the commercial banks in Kenya.
3. To assess whether technology intelligence practices affect performance of commercial banks in Kenya.
4. To establish the strategic alliance intelligence practices adopted by commercial banks and their effect on performance.

## **THEORETICAL REVIEW**

In this study, the theoretical orientation covers the theory of strategic balancing and theory of network organization. These theories explain the orientation of a firm in the aspects that are strategically related to competitive intelligence strategies adopted by organizations.

### **Theory of Strategic Balancing**

The theory of strategic balancing was developed by David Deephouse in 1999. The theory states that moderately differentiated firms have higher performance than either highly conforming or highly differentiated firms. Deephouse referred to this as “Strategic Balance Theory”, which explains why he recommends that “firms seeking competitive advantage should be as different as legitimately possible”, a brilliant play on words that exactly combines the whole point of his theory: being different lowers competition and increases competitive advantage, but being too different creates legitimacy issues which have a negative impact. The Strategic Balance will combine the positive effects of difference (while avoiding the negative ROA of “too different”) and the positive effects of similarity (while avoiding the negative ROA of “too similar”).

Deep house assessed the benefits of similarity (conformity) compared to the benefits of diversity (differentiation), and determined that the optimal strategic model was one that balances similarity with differentiation. This balance becomes the firms strategic advantage; the ability to be as different as possible without losing the benefits of legitimacy. Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors’ behavior, including the system of leaders’ values (Calori et al., 1989). Further to an empirical study on

technological alliances, the principle of strategic balancing to which a technological alliance generates paradoxes and lives by its paradoxes.

### **Theory of Network Organization**

This theory was proposed by Jacob Moreno in 1930. A network-centric organization is a network governance pattern emerging in many progressive 21st century enterprises. This implies new ways of working, with consequences for the enterprise's infrastructure, processes, people and culture. The idea of social networks and the notions of sociometry and sociograms appeared over 50 years ago. Barnes (1954) is credited with coining the notion of social networks, an outflow of his study of a Norwegian island parish in the early 1950s.

Network analysis (social network theory) is the study of how the social structure of relationships around a person, group, or organization affects beliefs or behaviors. Causal pressures are inherent in social structure. Network analysis is a set of methods for detecting and measuring the magnitude of the pressures. The axiom of every network approach is that reality should be primarily conceived and investigated from the view of the properties of relations between and within units instead of the properties of these units themselves. It is a relational approach. In social and communication science these units are social units: individuals, groups/ organizations and societies.

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.

## **EMPIRICAL LITERATURE**

### **New Market Intelligence and Bank 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 2008). 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 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, 2009). 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 performance of a business to the full. Incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread.

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

In recent years, “benefit segmentation” has become more widely used (Hooley *et al.*, 2008). It is based on the study of buyers’ attitudes, on the assumption that in great measure it is needs and benefits which make up markets and which alter markets. In this form of segmentation emphasis is on “usage occasions”, namely how buyers seek to gain benefits in particular buying situations. This form of segmentation is particularly powerful for dividing a total potential market into meaningful market opportunities. Its power derives from being predicated on the assumption that the same individual buyer can have different usage needs for the same core product. This happens quite frequently in practice.

### **Product Differentiation Intelligence and Bank 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 practices mainly deal with functions within an organization (Prescott, 2011). 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 (2011).

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 performance. 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.*, 2007). 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 Bank 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, company's 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 performance. According to Adam and Farber, (2010), 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 and Westphal, 2006; Wilkinson, 2003). Gerstenfield and 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 and 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 company's traditional lack of resources usually results in a compromise situation. It is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation with technology intelligence have an increased chance of enjoying sustainable growth and profit.

### **Strategic Alliances Intelligence and Bank performance**

Burgers et al. (2013) 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. (2013) 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. Descriptive research design is chosen because it enables the researcher to generalise the findings to a larger population.

### **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 staffs from marketing department, sales department, research and development department and top management team at Equity Bank head offices in Nairobi.

Since these are the ones concerned with strategy formulation and implementation and are better positioned to help derive the findings.

### **Sample Population**

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. Furthermore, owing to the big number of target population and given the time and resource constraints, the sampling at least 30% is recommended by Mugenda & Mugenda (1999). Therefore the sample population of the study will be 25%. This generates a sample of 48 respondents which the study sought information from. This made it easier to get adequate and accurate information necessary for the research.

### **Data Collection Instruments**

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. The study administered the questionnaire individually to all respondents of the study. The study exercised care and control to ensure all questionnaires issued to the respondents were received and achieve this, the study maintained a register of questionnaires, which was sent, and which and received. The questionnaire administered using a drop and pick later method.

### **Data Collection Procedure**

According to Kothari (2004), data collection procedures are strategies employed in research to ensure credible, valid and reliable data is obtained to inform the research findings. The study administered the questionnaire individually to all respondents of the study. The study exercised care and control to ensure all questionnaires issued to the respondents are received and achieve this, the study maintained a register of questionnaires, which will be sent, and which will be received. The questionnaire will be administered using a drop and pick later method.

### **Data Processing and Analysis**

Before processing the responses, the completed questionnaires was edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Data collected was purely quantitative and it was analyzed by descriptive analysis. The descriptive statistical tools such as Statistical Package for Social Sciences (SPSS Version 21.0) and MS Excel helped the researcher to describe the data and determine the extent used. The findings were presented using tables and charts. The Likert scales were used to analyze the mean score and standard deviation, this helped in investigating the relationship between competitive

intelligence practices and performance of Equity Bank. Data analysis used frequencies, percentages, means and other central tendencies.

In addition, the researcher carried out a multiple regression analysis so as to determine the relationship between competitive intelligence practices and performance of Equity Bank. The regression equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$ ):

Where: Y = Performance of Equity Bank; X<sub>1</sub> = New market intelligence; X<sub>2</sub> = Product intelligence; X<sub>3</sub> = Technological intelligence; X<sub>4</sub> = Strategic alliance intelligence;  $\beta_1, \beta_2, \beta_3, \beta_4$  = Regression Coefficients;  $\varepsilon$  = Error term

The data was broken down into the different aspects of relationship between competitive intelligence practices and performance of Equity Bank. This offered a quantitative and qualitative description of the objectives of the study.

## **RESEARCH RESULTS**

The objective of this study was to evaluate the effect of competitive intelligence on performance of commercial banks in Kenya. The specific objectives were to establish the relationship between product intelligence practices and performance of the commercial banks in Kenya, investigate whether markets intelligence practices employed by commercial banks have an effect on the performance of the commercial banks in Kenya and to assess whether the technology intelligence practices affect performance of commercial banks in Kenya. The data and information obtained from this study will form major findings summarized and presented below.

### **Market Intelligence and Performance of Equity Bank Limited**

The study found that banks employ new market intelligence as a competitive intelligence practice. New market intelligence applied in the banks concentrated on the 4Ps (price, place promotion and product). 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, market and customer orientation, identification of new opportunities (Fleisher Craig 2003). There was most concentration on pricing and product as shown by a mean score of 4.6 in each case and there was more concentration on place as shown by a score of 4.5 and promotion shown by a mean score of 3.9. The banks used some form of market segmentation as part of new market intelligence. According to the findings in the literature review, market segmentation is critically important if the aim is to develop the performance of a business to the full and market segmentation was very effective where 37.5% of the respondents felt that market segmentation was moderately effective in creating competitive intelligence for greater performance. The coefficient in the regression

equation is 0.244. This indicates positive influence market intelligence has on bank performance, however not big enough.

### **Product Intelligence Practices and Performance of Equity Bank Limited**

The product intelligences employed by commercial banks and that affect their performance include involving customers in product development through focused group discussions (FGDs), aligning products with customer needs (customized products), CRM and customer service, customer satisfaction survey, introduction of new products based on customer needs, re-launching and reviewing of existing products to make them more competitive, ASK exhibitions, excellent customer service, provision of products to suit target markets through differentiation and branding of products which achieves customer satisfaction, media advertisement in TV, radio and newspapers and population dynamics. The coefficient for this variable in the regression equation was 0.296 or 0.3 if rounded off. This indicates a significant influence that product intelligence practices have on the competitiveness of a firm and also performance.

### **Technology Intelligence Practices and Performance of Equity Bank Limited**

The study found that technology intelligences used in banks include technological innovation, product integration with new technology, intelligent ATMs, intelligent monitoring systems, technology driven products, use of recent IT systems, robust IT system in all departments and high class communication systems between the departments. Others include videoconferencing, interconnection/integration with telecoms and auto branches. From the study, the competitive edges accrued from technology intelligence include engaging in custodial services (sales and purchase of shares) after investing on the trading IT platform known as custodial Know. Organisations that can combine customer value innovation (Hannula and Pirttimaki, 2003) with technology intelligence have an increased chance of enjoying sustainable growth and profit. The coefficient for this variable in the regression equation is 0.398 or 0.4 which indicates that technological intelligence practices have a significant and great influence on the performance and performance of Equity Bank.

### **Strategic Alliance Intelligence Practices and Performance of Equity Bank Limited**

The strategic alliance intelligences for commercial banks include mergers and acquisitions of other banks, cross-border listing and trading, change of business processes, engaging in strategic alliances with other banking (financial) institutions for example insurance business and mortgage industry, global intelligence alliance, use of research and innovation feedback, customer focused intelligence, ecosystems for example with churches, venturing into new markets through acquisitions, agency approach and also partnerships. 82.5% of the respondents felt that they benefits of strategic alliance are those that come about through the reduction of external environment uncertainty, and 77.5% of the respondents felt that they are those that exist through the reduction of internal organizational uncertainty. The study findings concur with the literature

review. Patton and McKenna (2005) study found that strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. Strategic alliance with other organizations as shown by a mean score of 4.3 and acquisitions as shown by a mean score of 3.9 were employed to a great extent, while mergers and joint ventured were employed to a moderate extent as shown by mean scores of 2.8 and 3.3 respectively. Moreover, the regression equation indicated 0.218 as the coefficient for strategic alliance intelligence practices. This indicates a significant and positive influence that alliances have had on the performance of Equity Bank Limited.

**REGRESSION ANALYSIS**

The study sought to establish the level of influence of the four variables; product, market, technology and strategic alliance intelligence on the performance of commercial banks in Kenya.

**Table 1: Coefficient of Determination (R<sup>2</sup>)**

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 Equity Bank Kenya Limited as represented by the R<sup>2</sup>. This therefore means that other factors not studied in this research contribute 16.0% of the performance of the commercial 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 a significant relationship between the independent and dependent variables.

**Table 2: Multiple Regression Analysis**

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 Equity Bank limited and the four variables. As per the SPSS generated table, the equation ( $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$ ) becomes:



$$Y = 1.334 + 0.244 X_1 + 0.296 X_2 + 0.398 X_3 + 0.218 X_4$$

Where: Y = performance of Equity Bank Limited; X<sub>1</sub> = market intelligence; X<sub>2</sub> = product intelligence; X<sub>3</sub> = technology intelligence; and X<sub>4</sub> = 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 performance 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 performance. A unit increase in product intelligence will lead to a 0.296 increase in performance; a unit increase in technology intelligence will lead to a 0.398 increase in performance while a unit increase in strategic alliance practice will lead to a 0.218 increase in performance. This infers that technology intelligence contributed more to the performance 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 performance of commercial 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 performance of the commercial banks in Kenya.

Studies by Li et al (2008), Baars and Kemper (2008) and Korany (2007) indicate that competitive intelligence practices which include product, technology, market and strategic alliance intelligence have a significant and positive influence on the ability of a firm to compete favourably with their rivals in the industry and hence perform.

## **CONCLUSIONS**

From the analysis and discussion, the study concludes that technology, product, market and strategic alliance competitive intelligence practices affect the performance of commercial banks in Kenya. On market intelligence, the study concludes that concentration on pricing and product, promotion, market segmentation and foreign market entry lead to performance of commercial banks to the full and market segmentation.

On product intelligence, the study deduces that product development through focused group discussions (FGDs), aligning products with customer needs (customized products), CRM and customer service, customer satisfaction survey, introduction of new products based on customer needs, re-launching and reviewing of existing products make commercial banks more competitive and profitable.

The study concludes that technology intelligences such as technological innovation, product integration with new technology, intelligent ATMs, intelligent monitoring systems, technology driven products, use of recent IT systems, robust IT system in all departments and high class communication systems between the departments affect the performance of the commercial banks.

On strategic alliance intelligences, the study concludes that strategic intelligence practices adopted by commercial banks include mergers and acquisitions of other banks, cross-border listing and trading, change of business processes, engaging in strategic alliances with other banking (financial) institutions for example insurance business and mortgage industry, global intelligence alliance, customer focused intelligence, agency approach and partnerships which affect the performance of the commercial banks. According to the regression analysis, adoption of technology intelligence practices in the bank contributes most to the performance of commercial banks in Kenya followed by product, market and strategic alliance intelligence respectively.

## **RECOMMENDATIONS**

From the findings and discussions of the study, market intelligence has enhanced the development of market share, decisions making. The study thus recommends that the commercial banks should adopt market intelligence to enhance efficiency enabling the banks to deal with their large client base, customer focused intelligence and competitive information which lead to increase of the banks' performance.

The study also recommends that for the banks to realize even more profits, they should involve in product intelligence practices such as aligning products with customer needs (customized products), CRM and customer service, customer satisfaction survey, introduction of new products based on customer needs, re-launching and reviewing of existing products.

The study found that technology intelligence leads to high levels of automation, cost reduction and efficiency enabling the bank to almost deal seamlessly with their large client base of over 4 million customers. The study therefore recommends that the banks should make use of technology intelligence among other intelligences to increase their competitiveness in terms of product innovation, customer satisfaction and market orientation. These intelligences ensure that internal strengths of the banks are utilized for the betterment of the firm which leads to performance.

The study recommends that commercial banks should be more vigorous in establishing strategic alliance intelligences through mergers and acquisitions, penetrate foreign market through alliances, cross-border listing and trading, change of business processes, engaging in strategic

alliances with other banking (financial) institutions, global intelligence alliance and agency approach and partnerships which affect the performance of the commercial banks.

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