



WOLKITE UNIVERSITY

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**DETERMINANTS OF COMPETITIVE ADVANTAGE OF
COMMERCIAL BANKS IN WORABE TOWN**

By

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DECLARATION

I, the undersigned, declare that the thesis comprises my own work. In compliance with internationally accepted practices, all works of others are well acknowledged and referenced all materials used in this work. I understand that non-adherence to the principles of academic honesty and integrity, misrepresentation/ fabrication of any idea/data/fact/source will constitute sufficient ground for disciplinary action by the university and can also evoke penal action from the sources which have not been properly cited or acknowledged.

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Date of submission: June.3, 2019

CERTIFICATION

This is to certify that the thesis entitled **“The determinant of competitive advantage of commercial banks in Worabe town”** submitted in partial fulfillment of the requirements for the degree of Master of Business Administration, College of Business and Economics school of graduate studies, and is a record of original research carried out by ALEMU MENGIE ID. No. GSE/132/08, under my supervision, and no part of the thesis has been submitted for any other degree or diploma.

The assistance and help received during the course of this investigation have been duly acknowledged. Therefore, I recommend that it can be accepted as fulfilling the thesis requirements.

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ACRONYMS AND ABBREVIATION

ANOVA= Analysis of variance

CBE = Commercial Bank of Ethiopia

Df = degree of freedom

SPSS = Statistical Package of Social Science

VIF = Variance inflation factor

COMPADVA = Competitive Advantage

PD = Product differentiation

SCS = Superior customer service

CS = Competitive staff

IOR = Image or reputation

ACC = Accessibility and convenience

UTECH = Use of Technology

ALT = Alternative

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ABSTRACT

The main objective of this study was to examine determinants of competitive advantage of branch banks in Worabe town. From a total employees that were targeted as study population, sample size were determined considering the banks as strata(using stratified sampling technique) and questionnaire were distribute for the sample responds selected randomly. Data was collected using questionnaires. A quantitative research approach with an explanatory research type was employed in this paper. Results indicated a statistically significant relationship between competitive advantage and each of independent variable. It is also implied that the positive effects of determinants such as product differentiation, superior customer service, competitive staff, image/repetitive, accessibility and convenience and use of technology on competitive advantage in commercial banks were considered in this study. Finally the researcher forwards the recommendation. The study recommended creating an enabling working environment in Banks in terms of the level of technology they use, on delivery of quality of service, types of products, accessibility/ location and constitute competent staff to build future image and reputation for sustainable market competition multidimensional. This would increase the competitive edge of commercial banks in Ethiopia.

Key words: Dependent, Determinants, Variables, Independent, Competitive, Rival, Relationship

CHAPTER ONE

INTRODUCTION

This chapter constitutes the background of the study, the problem area to be identified, objective, significance, scope and organization of the paper.

1.1 Background of the study

Competitive advantage is an advantage over competitors picked up by advertising buyers more noteworthy esteem, either by implies of lower costs or by giving more noteworthy benefits and administrations that legitimizes a better price (Porter, 1985). Porter (1985) defines competitive advantage along the three measurements of taken a toll, differentiation and center with competitors attempting to set themselves separated from those seen as “stuck within the middle” without competitive advantage. Porter’s (1985) work proposes that being able to create an occasion at a lower fetched compared to the competitors is one-way to competitive advantage.

Competitive advantage will guarantee that the firm survives and is set in a conspicuous position within the showcase (Allan, 2009). Each industry counting managing an account has a basic structure or a set of principal financial and specialized characteristics which donate rise to competitive strengths. A firm can clearly progress or disintegrate its position inside an industry through its choice of procedure.

An effective banking system greatly influences the world growth in various sectors of the economy. Practitioners in the banking industry face a larger number of complex changes in the global market place *Lav et al* (2013). Banks play a vital role in trade and payment system by significantly reducing transaction costs and increasing convenience. In the current world it is difficult to perform tasks without the function of banks. Customers of retail banks in Africa are clearly seeking a responsive service with a level of staff efficiency (Moller, 2008).

A competitive advantage is what makes the banks superior from their rivals by advertising tall quality and esteem for clients (Wambugu, 2012). Competitive advantage empowers a firm to characterize its trade nowadays and tomorrow and decides the businesses or showcase to compete Lester (2009). Firms with more grounded inquire about capabilities regularly lead the showcase with development (McGee, 2008). The degree/magnitude of competition shifts from nation to nation or with in a nation based on the standard of living and the common level of improvement. Without competition it is troublesome to bring a shocking alters within the

financial sector as well within the common trade environment. In other words there ought to have an adequate competition to ensure considerable social losses like tall cost, tall exchange taken a toll, too credit supply, good fortune of development, destitute benefit quality (Thompson, 2008). A firm can pick up a solid competitive advantage in its industry on the off chance that it has solid investigate and improvement capabilities.

Distinguishing center competency regions which have an extraordinary esteem for competitive advantage ought to be a critical motivation within the managing an account trade. To succeed in building competitive advantage banks must attempt to supply what buyers will and see as prevalent esteem. Past analysts take diverse competition ranges like taken a toll finding, inspiration, instruction, acknowledgment, foundation, trade modernity, mechanical alter, item separation, center or specialty showcasing, administration, inside technique and so on to pick up a competitive advantage. Firms ordinarily endeavor to pick up competitive advantage by being the most reduced fetched maker (Schuler & Jackson, 1987). To provide a great client fulfillment level over all the client sections, it includes exploring seen values and their relative significance and deciding how best the firm ought to position itself to convey administrations that coordinate client needs in arrange to pick up competitive edge (McGee, 2002).

In 1963, the National Bank of Ethiopia and the Commercial Bank of Ethiopia were shaped in arrange to actualize the capacities of the State Bank of Ethiopia. Up to 1974, state possessed money related educates such as Agrarian and Mechanical Improvement Bank, Sparing and Contract Enterprise of Ethiopia and the Royal Investment funds and Commercial Teach raised. Private commercial educate, of which numerous were outside claimed banks, too performed. The major ones were Banco di Napoli, Banco di Roma and Addis Ababa Bank. In expansion, there were a few private protections companies.

As is the characteristics of any Communist administration, the Derg nationalized all secretly possessed budgetary teach counting three commercial banks, thirteen protections companies and two non-bank money related mediators on 1 January 1975. The nationalized banks were reorganized as one commercial bank (the Commercial Bank of Ethiopia), a National Bank (reproduced in 1976), two specialized banks, the Agrarian and Mechanical Bank and Lodging and Sparing Bank, as well as other monetary teach such as, Ethiopian Protections Company and Benefits and Social Society Specialist, were shaped (Alemayehu, 2006). In this period, the

National Bank of Ethiopia was actively involved in directly controlling of all financial institutions by fixing both deposit and lending interest rates and foreign exchange and credit allocation.

In their extensive recount of the early post, “Derg” period, Bezabeh and Desta (2014), attest that the at that point Commercial and Development Banks of Ethiopia were run to indebtedness with nonperforming credits. A few of the starting changes made dynamic by the current government, within the endeavor of upgrading financial development through budgetary improvement, included clearing the non-performing advances off of the over said two banks, fortifying the credit chance and portfolio management of Commercial Bank of Ethiopia, issuance of Proclamation No 591/2008 which clarified the part of the National Bank of Ethiopia as the administrator and controller of the managing an account division and issuance of Decree No 84/1994 which legalized domestic private venture within the managing an account division.

Now a day In Ethiopia the budgetary division is overwhelmed by the managing an account industry and distinctive private banks are rising. Competitive advantage is a superiority that gives an organization an edge over its rivals and an ability to generate a greater value for the firm and its shareholders (Wambugu, 2012).

A competitive and productive monetary segment could be a prerequisite for financial advancement and development, particularly in creating nations. Managing an account Industry Liberalization is one key thought in moving forward effectiveness. The benefits of keeping money industry liberalization have been broadly examined with conclusions unfavorable the positive impacts included. In arrange to accomplish financial advancement, hence, alike most creating nations, Ethiopia has too set out on a number of changes to move forward the productivity and competitiveness of the managing an account division (Sanya & Gaertner, 2012).

Therefore the paper tries to examine determinants of competitive advantage of branch banks in Worabe town.

1.2. Statement of the problem

Banking has traditionally operated in a moderately steady environment for decades. In any case, nowadays the industry is confronting drastically forceful competition in a modern deregulated environment (Reynolds, 2005). In spite of the fact that the managing an account industry players

have grasped the bland competitive techniques of fetched authority and item separation, Huang *et al.* (2004) recognizes need of senior administration commitment, ineffectual communication with representatives, inadequately worker preparing, and disappointment to urge worker back as the major challenges that radiates from incapable administration.

In the worldwide competitive trade situation, banks, among other organizations, have been confronting numerous changing challenges caused by globalization, liberalization, innovative progressions, and changing customers' technological-driven desires (Moreno et al., 2005). These challenges, among many others, called for extensive search for suitable strategies to be adopted by organizations for growth and survival in the changing and turbulent marketplace (Al-Mansour, 2007). It has been broadly emphasized that clients of the banks are fundamental commerce accomplices that utilize and advance the items and administrations. Thus the clients for a bank are more imperative than business people due to their part in pulling in unused clients and suggesting the items and administrations to others (Peschel, 2008).

Successful strategies lead to predominant execution and feasible competitive advantage (Watchman, 2004). The capacity of a firm to command a competitive advantage depends on the maintainability of the competitive points of interest that they command. The commerce environment within the nation has radically changed coming about in a few commercial banks opening a number of branches over borders and thus expanding competition within the industry all inclusive (Porter, 2004). Dulo (2006), states that each bank has got to consider how to enter a market and after that construct and secure its competitive position. Guided by these facts, there is a need, to formulate a study on banking sector in Ethiopia, specifically to understand the effects of determinants on competitive advantages in commercial banks of Ethiopia.

The economic climate in Ethiopia over the last decade has been moderately stable for managing an account trade. But banks may not accomplish their industry or stakeholders desires due to bounty of reasons. The unparalleled development in banks is as a result of from a natural and regulatory point of view (Focarelli, 2004). Administration plays the lead part in vital thinking, planning, decision-making and extreme usage of arrangements and techniques. Shockingly, a few banks are seen to have administration structures that excessively restrain the specialist to create long-term key choices to some key shareholders who may be constrained in a few ways. This clearly compromises the abundance and differences of the banks' key arranging plan to the

disservice of corporate execution. Much as the contrasts in overall status and execution level of banks are to be anticipated, it may be a weak competitive position and the impediment in recognizing the zone where to compete with rivals.

In Ethiopian context, one cannot confidently argue that there has been rigorous banking competition. During the pre-1975 imperial era, there had few banks (dominated by foreign ownership) and the absorptive capacity of the economy was too low even to accommodate moderate competition. In the Derge regime (1975-1991), private banks were fully nationalized and left no room for competition. After the down fall of the Derge regime in 1991, private banks were again allowed to operate consistent with the ideology of market oriented economic policy (Alemayehu, 1986). Accordingly, new private banks were established and their role and position in the industry have been flourished from time to time. Ethiopia has been taking cautious approaches toward liberalization of the banking sector compared to fellow African countries; where the commercial banks are still protected from foreign participation, where credit controls, reserve requirements and interest rate controls still exist. After the wake of the 2008 financial crisis, the merits of uncontrolled banking industry development has been put to question. However, the crippling effect of the lack of competition in the banking industry is not questionable.

Several previous studies have attempted to conceptually discuss banking institution's competitive advantages with respect to its causative factors generally. Some of these studies (Firth, 2016; Sharma, 2015 and Perren, 2013) appeared empowering levels of adequacy in numerous measurements of composite promoting methodologies with satisfactory administrative recommendations. The predecessors variables of competitive advantage are found to be (electronic) quality of service or/and management, corporate social responsibility, strategy definition, (electronic) marketing innovation and creativity, client orientation and market separation. Others are firm's performance, core competence, expanded deals, trade productivity, item esteem, viable taken a toll, item customization, client benefit and fulfillment, convenience, deals administration exercises, market-oriented item administration exercises, deals execution and proficiency. Distinguishing these forerunners are fundamental for conceptualizing and examining builds that are related to competitive advantage within the managing an account division and expanding the previously-proposed related conceptual models.

More over other practitioners tried to identify the areas of competition in the banking industries. According to Dulo (2006) banks should know to venture in to the market and there after form, guard and uphold its competitiveness. Mariotto and Verdier (2015) carried out a study on innovation and competition in internet and mobile managing an account in Paris. Mathooko and Ogutu (2015) contend that competition is unavoidable in order for organizations to be effective and competitive; they ought to learn how to manage with trade rivals. They identified the level of contention among institutions of higher learning as key determinants within the teach competitiveness. Anand (2012) distinguishes key parameters of competitive competition to incorporate cost reducing, unused item presentation, promoting campaigns and benefit enhancements. Key variables in competitor investigation incorporate the profile of the competitors and the setting of the industry (Mathooko & Ogutu, 2013).

There are sample studies that covered the definition and measurement of competition within the banking segment. In spite of the fact that, almost all are focused on the developed nations and what little study there's of creating countries focuses on the expansive economies. However, there are no empirical evidences considered the level of competition within the Ethiopian banking segment, nor are there considers on the determinant of the level of competition. With most Ethiopian commercial banks envisioning of extending their administrations on worldwide premise by the year 2025, it asks the address of the status for such an alter and the capacity of these commercial banks to degree up to any other commercial bank within the world in terms of competition. Thus, there is need to empirically examine and analyze the phenomenon in detail to what extent do the following dimensions of competitive advantage (product differentiation, superior customer service, competitive staff, accessibility & convenience, image/reputation, and use of technology) affect the achievement of competitive advantage specifically in the Ethiopia banking firms.

Therefore, the study aimed to investigate the determinants of competitive advantage of commercial banks with a focus of banks in Worabe town.

1.3. Objective of the study

The general objective of the study was to investigate the determinants of competitive advantage in commercial banks with particular reference to six branch banks in Worabe town. Having the above mentioned general objective, the study has the following specific objectives.

- To examine the effect of product differentiation on competitive advantage.
- To evaluate the impact of superior customer service on competitive advantage.
- To ascertain the effect of competitive staff on competitive advantage.
- To analyze the effect image/reputation on competitive advantage.
- To examine the effect of accessibility and convenience on competitive advantage.
- To analyze the effect use of technology on competitive advantage

1.4 Research hypotheses

Based on the preliminary review of the extent literature and theoretical development undertaken in the preparation of this research a number of provisional hypotheses have been developed to achieve the above research objectives.

In line with the above specific objectives the following six hypotheses were developed:

1. H₀1: Product differentiation has no significant effect on Competitive advantage
2. H₀2: Superior customer service has no significant effect on Competitive advantage
3. H₀3: Competitive staff has no significant effect on Competitive advantage
4. H₀4: Image/reputation has no significant effect on Competitive advantage
5. H₀5: Accessibility and convenience has no significant effect on Competitive advantage
6. H₀6: Use of technology has no significant effect on Competitive advantage

1.5. Significance of the study

The result of this study will be significant in various aspects.

Governments: The legislative part of government which is the house of people representative council at federal and regional level will shed light on improvement of competitive markets between banks at governmental level; the house of representative council will use the outcome of the study for the purpose of gaining information about the determinants of competitive advantages in the bank industry and to identify areas requiring attention.

Banks: It is expected that the present study will be useful in providing a better understanding on the determinants of competitive advantage in commercial banks and they may use this study for strategic formulation and to identify weakness in the area for further improvement.

Researchers: The experience in making this research will enhance and enrich the knowledge of the researcher and will encourage others who have interest in the subject to do further research and the study will use as reference for future researcher(s) and it may call the attention of the potential researcher on the area.

1.6 The scope of the study

The scope of the study was delimited with geographical boundary and research approach and has been described as follows. .

Geographical scope: The geographical scope of this study was delimited only to employees of banks in worabe town.

Research approach: From research approach perspective, the researcher used explanatory research design as well quantitative research approach. The scope of this study also focused only on the examination of competitive advantage determinants.

1.7. Organization of the study

The study was organized into five chapters. Chapter one contains background of the study, statement of the problem, research objectives, significance of the study and scope of the study. Chapter two provides a literature review informing the reader of what is already known in this area of study. Chapter three discusses the methodology employed in the study, including, research design, sample size determination and sampling technique, data source and collection method, procedure of data collection and method of data analysis. Chapter four is about data analysis and discussion of results. Finally, chapter five contains summary, conclusions, recommendations and limitation of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter explains concept and definition of competition, forces of competition, definitions core competence, concept and sources of competitive advantage, competitive strategies, determinants of competitive advantage empirical literature review conceptual frame work and the concept of competitive advantage. It outlines different sources of competitive advantage and the various factors that determine competitive advantage. This chapter reviewed books, journals and other sources to unveil the various theories that have been advanced on competition and competitive advantage.

2.2 Theoretical Review of Competitive Advantage

2.2.1 Definitions of Competition

Competition in an industry is established in its basic financial structure and goes past the behavior of current competitors. The nature and degree of competition in an industry depends on competitive strengths from its environment. The state of competition in an industry depends on the collective quality of these powers. The collective qualities of these powers eventually decide the allure of the benefit potential of the industry where benefit potential is measured in terms of long run return on venture capital. The key basic features of businesses hence decide the qualities of competitive strengths and consequently industry benefit. Whatever their collective quality, the organizations' goal is to discover position within the industry where it can best guard itself against these powers or can impact them in its favor (Porte, 1980). To manage with them, the strategist must analyze the sources of competition to discover out what makes the industry vulnerable to those powers. Information of these basic sources of competitive pressure gives the foundation for a key motivation of activity.

Competition in an industry continually works to drive down the rate of return on invested capital toward the competitive floor of rate of return or the return that would be earned by the economists "perfectly competitive" industry. One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry by reducing the profitability of the players. It exerts pressure on firms to be pro-active and to formulate successful strategies that facilitate proactive resource to anticipated and actual changes in the competitive environment (porter, 1980).

2.2.2 Forces of Competition

Porter (1985) identified five forces that determine the state of competitiveness in a market as well as influencing the profitability of firms already in the industry. Adoption of the Porter's five forces model can be of awesome esteem to the competitiveness of organizations. Watchman (2008) concludes that "the five competitive strengths reveal whether an industry is genuinely alluring, and they offer assistance financial specialists expect positive and negative shifts within the industry structure some time recently they are obvious". Porter's five force model is appropriate in distinguishing the key factors of success inside an industry. The demonstrate investigation bargains with variables exterior an industry that impact the nature of competition inside it, the powers interior the industry commonly known as microenvironment that impact the way in which firms compete. The model holds that a business has to understand the dynamics of its industries and markets in order to compete effectively in the marketplace. Porter's five forces influencing competition

Intensity of Rivalry: Competitive competition in an industry plays a critical part in determining the techniques created by an organization (Bhattacharyya & Nanda, 2000). In arrange for an organization to be competitive, it should consider the response of a competitor at whatever point creating their techniques to guarantee that their techniques surrender the in fact return. The money related administrations industry, commonly alluded to as the managing an account industry, which has been around for a long time could be a profoundly competitive industry. Nowadays nearly everybody who needs keeping money administrations has them and as a result banks tend to target their competitor's clients in an offered to bait them absent from their competitors.

Threat of New Entrants: Another risk which stems from a nation getting a charge out of sound political and financial environment making it alluring to financial specialists is the risk of modern participants into the showcase. This is often continuously a plausibility within advertise with the unused participants being greater and remote banks. Agreeing to Eskandari, Miri, Gholami, Reza and Nia (2015), the threat of entry in any identified industry depends on the height of entry barriers and reaction of new entrants. In circumstances where the barriers to entry are low, there are high chances of new entrants who then quickly become a rival. The threat of entry will be very high which will negatively affect the profitability of the industry. The new entrants will always be seeking to grow their market share and as they do this, they will be eating

into the market share of the existing organizations (Mathooko, 2013). They do this by creating competencies especially by concentrating on the weaknesses noted among the existing firms (Aghazadeh, Estiriand & Aslanlu, 2007).

Power of Suppliers: Competitive industries normally have suppliers that have bargaining power. Suppliers mainly influence competitiveness of organizations in an industry mainly through input elements to improve price and reduce the ability of unit value quality (Weele, 2005). They also achieve this through influencing the industry existing companies' profit ability as they will affect the operating profits.

Power of Buyers: In its journey to pick up competitive advantage in a given showcase, organizations can utilize their clients. Buyers have an awesome impact on the way organizations work in terms of the costs they charge through resulting alteration of the request for a given item. Doorman (1980) contends that providers to an industry may be capable in circumstances where they are more concentrated than their clients with their clients not having the capacity to command a noteworthy share of their trade. Such a circumstance may emerge since their clients don't speak to a potential long-term or major relationship. This can be within the shape of one-off or little clients versus customary or bulk buyers

Availability of Substitutes: The level of danger of substitution in an industry influences the competitiveness of firms as each firm looks for to have its items or administrations favored by the clients (Wambua, Namusonge, Waema & Ngonzo, 2014). This in turn impacts the capacity of the firms within the concerned industry to attain productivity. The presence of a substitution threat negatively influences the benefit of an industry.

This is often since customers can select to buy the substitute rather than the industry's item (World Bank, 2013). In any case, presence of near substitute items can progress industry competitiveness and diminish benefit potential. Concurring to Slow down (2015), substitution comes in different shapes and can have an emotional and market-altering effect on an organization.

There are plenty of substitutes in the banking industry as firms seek to enjoy the profits recorded in the banking industry (Samuel, 2013). Banks offer a range of services over and above taking deposits and lending money, but whether it is insurance or fixed income securities, chances are that there is a nonbanking financial services company that can offer similar services (Wambua *et*

al., 2014). Microfinance, Corporative Unions and Savings and Loans Schemes are all over in Kenya. On the lending side of the business, banks are seeing competition rise from unconventional companies.

2.2.3 Definitions Core Competence

The concept of core competence, as fundamental to organizational renewal and as a driving force behind strategic change, interests both managers and scholars. It is a complex and challenging concept: it is difficult to specify theoretically, to identify empirically as a phenomenon, and to apply in practice. Scholars have recently recognized these problems in general conceptual discussions (Hafsi & Thomas, 2005).

Competencies are commonly concurred to dwell in people and groups of people, suggesting that the competence concept includes aggregate progression. This aggregate pecking order idea is obvious in numerous streams of investigate concerning the related concepts: i.e. single-, twofold-, and triple-loop learning, which are based on competencies, capabilities, and energetic capabilities, separately, concurring to Savory (2006), another analyst has received comparable ideas of progression: i.e. first-order competence, which comprises client and innovative competencies; integrator competence, which is the capacity to combine the past competencies; and second-order competence, which is the capacity to make first-order competencies (Danneels, 2002). Researchers moreover distingsubstitute items can move forward industry competitiveness and diminish benefit potential.

An organizational core competency is an organization's strategic strength. It is what the organization does best and what it should never outsource. Organizational core competencies the unique resources of an organization affect many products and services and provide competitive advantage in the marketplace (Johnson & Scholes, 2002)

To acquire competitive advantage in any market, firms need to be able to deliver given set of customer benefits at lower costs than competitors, or provide customers with bundle of benefits its rivals cannot match. To realize the potential that core competencies create, company must also have the imagination to envision markets that do not yet exist and the ability to stake them out ahead of competition. Company will strive to create new competitive space only if it possesses an opportunity horizon that stretches far beyond the boundaries of its current businesses (Porter. 1985)

By identifying their core competencies, firms are able to concentrate on areas that give them a lead over competitors and provide a competitive advantage. Porter (1987) observes that a competition is the core of the success or failure of a firm. For nearly two decades, the dominant research paradigm has been Porter's (1980) competitive forces model which argues that the intensity of competition determines the profit potential for individual firms. Porter contends that a firm seeks a position in an attractive market that they can defend against both existing and potential competitors. There is great increase of Micro Finance firms in the country and this has brought about stiff competition. Competition has forced micro finance firms to become more innovative in creation of their different products.

Competitive advantage focused on core competencies as a major source of that advantage, core competencies includes the particular set of skills and resources firm possesses as well as the way those resources are used to produce outcomes (Fiol, 2001).

2.2.4 Concept and Sources of Competitive Advantage

Competitive advantage is probably one of the most popular concepts of strategic management today and it is at the heart of any strategy. It is a common theme in management but despite its prominence in both academia and industry in the past years the concept still remains vague (Flint, 2000)

The competitive advantage concept refers to set of factors or capabilities that allow firms to consistently outperform their rivals (Roberts, 2002). Competitive advantage is an edge over competitors gained by offering greater value either by means of lower prices or by providing greater benefits and service that justify higher prices (Wikipedia, 2009). A company has competitive advantage whenever it has an edge over its rival in securing customer and defending against competitive forces (Thompson, Gamble, & Strickland, 2004)

Barney (2001) suggests that a firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors. He added that for competitive advantage to have meaning, customers must perceive a difference between one firm's products or and those of competitors resulting from a capability gap between the firm and its competitors and theses afore mentioned difference in attributes and capability gap are expected to endure overtime.

Competitive advantage may be a position a firm involves against its competitors. The researcher is famous that the essential components of competitive advantage are development, notoriety and connections. He assist contends that competitive advantage comes from the esteem that organizations make for their clients that surpass the cost of creating it. A competitive advantage exists when a firm incorporates an item or benefit that's seen by its target showcase clients as way better than that of its competitors.

According to Abigail (2017), sustainable competitive advantage will be created through:

Brand: A solid brand can make a source of tough competitive advantage on the off chance that it increments customers crave to buy a benefit and gives estimating control. Any bank that has the capacity to rapidly react to clients requires and give consequent back will have a competitive advantage over competitors. Banks too proceed to contribute in their brands to preserve competitive advantage through differentiation advantage of the opportunity of the outside environment.

Intellectual Property: Intellectual property can create a durable competitive advantage if a bank consistently provides innovative services. IP generally consists of copyrights, patents and trademarks, which provide exclusive rights. For firms today, the strength and marketing power of an Institution's brand is rapidly becoming one of the critical levers for differentiation and success.

Distribution and Accessibility: how broadly conveyed banks branches and commerce focuses are can be a source of strong competitive advantage. A well disseminated department without availability will not lead to solid competitive advantage. Holding select re-selling or conveyance rights could be an extraordinary source of competitive advantage.

Management: Management can create a durable competitive advantage with an innovative vision. A business management team is essential to harnessing opportunities that create the needed competitive advantage. However, without an innovative vision, management does not create a sustainable durable competitive advantage.

Networking: Networking can create a durable competitive advantage if the value of a product or service increases with the number of users. It indicates "the more users that leverages the network, the greater its value". Durable competitive advantage is often created by closed networks that exchange information and knowledge.

Strong research and development capabilities: A business can gain a solid competitive advantage in its industry in the event that it has strong research and improvement capabilities. Strong research and improvement reflects within the company's item improvement forms. Companies with solid investigate capabilities regularly lead to advertise with development. A handle can make a tough competitive advantage in case its developments cannot be copied by competitors. A company's effective handle, which is obscure by competitors, can require a long period of time to copy.

Regulation: Regulation can make a durable competitive advantage in the event that the obstruction to enter a particular market is tall since business approval is troublesome to get from the government. Be that as it may, control can be a double-edge sword. Governments can control estimating through control (utilities) or they can take off it to advertise. The best-case-scenario is for companies to need regulatory approval to function inside a particular market, but not be subjected to financial oversight in respects to pricing items or administrations. The central bank has put boundaries for transformation on miniaturized scale Funds to Store Taking Educate due Stringent controls set like tall capital required. Within the showcase put, the company with the most excellent showcasing procedure wins.

Switching Costs: Switching costs can create a durable competitive advantage if they are high. Switching happens when the advantage of changing from Company A to Company B is less than the cost. Tall Exchanging costs are the punishments a client pays when they alter from an existing item, provider or brand to another. These punishments or negative utility are often monetary, but can too come within the shape of time, exertion, or social pressure. This energetic is particularly valuable in competitive markets where there's small separation among alternatives and making motivating forces for clients to remain with you is basic for survival.

Another way is quality uncertainty where the recognition with the existing item makes fear, vulnerability, or question within the quality of the modern brand. Exchanging taken a toll makes an advantage to your trade so that you simply hold clients since it would fetch them a few time or money to switch to another product or service. So when your customers stay with you this means more money is coming in.

Strong marketing strategy: In the market place, the company with the best marketing strategy wins. No doubts about it. The competition to gain a stronger competitive advantage in the

marketplace is the reason why giant corporations spend millions of dollars on marketing research and advertising annually. A firm can also use loyalty mechanisms for marketing through frequent flier miles, coupons, or other membership bonuses so as to lock customers.

2.2.5 Competitive Strategies

The word 'strategy' has always been prominent in any discussion on the subject of management of an organization because of its importance. The word strategy comes from the Greek word Strategies which refers to military general-ship and combines stratus (the army) and ago (the lead). The history of strategic planning has its roots in, and is a heritage of the military (David, 2003).

According to Chandler (1962), a strategy is concerned with the determination of basic long term goals and objectives of an organization. This enables development of action plans on how to direct the day to day operations towards the delivery on the organizational goals. Pitts and Lei, (2003) explained that it is to ensure that an organization applies its strengths and distinctive competences in such a way that it gains a competitive advantage over its rivals in any given environment.

Andrews (1980) defines strategy as 'the pattern of objectives, purposes, goals and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or it is to be'. According to Wheelmen and Hunger, (2006) a corporation's strategy forms a comprehensive master plan that states how the corporation will achieve its mission and objectives.

The impact of competitive strategies on firm performance is analyzed in various considers. According to Porter (1985) firms with a clear procedure outpace firms without a procedure. This argument constitutes the base of his competitive techniques. In see of the profoundly competitive showcase, companies must rapidly get a handle on surprising openings, react to dangers and out their rivals to persevere and succeed. In arrange to be competitive in a given industry, organizations need to see at their qualities and see how they can misuse them for ideal performance.

Some of the most basic choices faced by companies are essentially the scope of the markets that the company would serve and how the company would compete in the selected markets.

Competitive strategies focus on ways in which a company can achieve the most advantageous position that it possibly can in its industry (Pearce & Robinson, 1999).

Competitive advantages are accomplished by companies by differentiating items and administrations from those of their competitors and through moo costs. Firms can target their items by a wide target, in this manner covering most of the commercial center, or they can center on a contract target within the advertise (Lynch, 2009)

Competitive methodology is in this manner an endeavor to change a company’s quality relative to that of its competitors within the most efficient way additionally to hill activities and choices of directors and representatives in a facilitated, company-wide diversion arrange (Ohmae, 1989).

2.3. Empirical Literature Review

The micro finance industry has grown tremendously resulting to fierce competition and all the micro finance firms are always changing their strategies to stay ahead of the game.

Table 2.1 presented the main factors that affect competitive advantage studied by different researchers.

Table 2.1 Main factors that affect competitive advantage studied by different researchers

No.	Factors	Authors
1	Bank reputation and good image,	(Bamberger, 1989; Canals, 1993; Johnson & Johnson 1982)
2	Bank location/ Accessibility and conveniences	(Canals, 1993; Wilde & Singer, 1993)
3	Information system	(Rosenberg & Schewe, 1985)
4	Customer service	(Bamberger, 1989; Johnson & Johnson, 1982)
5	Develop new business to meet unmet demand / Product differentiations	(Aaker, 1989; Wilde & Singer, 1993)
6	Staff professional knowledge	(Bamberger, 1989; Canals, 1993)

Source: compiled from literatures

2.3.1. Product differentiations

The mystery of maintainable competitive advantage lies in performing each step within the value chain in a suitable way. Competitive advantage basically should be one that not as it were only represents way better execution than that of its competitors, but too delivers genuine esteem to the client, thus ensuring dominant position within the market (Barne, 2001). Differentiation could be a competitive strategy utilized by organizations where they conflict to recognize their items and administrations from those of competing firms. These might be accomplished through bundling and estimating and for administrations, the way in which the administrations are conveyed (Doorman, 1980).

Many studies have been conducted on differentiation and organizational competitiveness. For instance, Nolega, Oloko Sakataka and Oteki (2015) examined product differentiation strategies and how they affected firm product performance using a case of Kenya Seed Company (KSC), Kitale. The findings showed that the product differentiation strategies employed in the last 10-15 years had improved the performance and competitiveness of KSC. Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price.

Ndede (2010) carried out a study that investigated the challenges confronted by Barclays Bank of Kenya and the methodologies it utilizes to attain competitive advantage. The finding of the study was that Barclays Bank of Kenya utilizes differentiation strategy that points at accomplishing competitive advantage by offering superior products or services at the same cost or upgrading edges by charging a premium cost, frequently to reflect the higher production costs and additional esteem included highlights given to the clients. Separation methodology points to construct up competitive advantage by advertising items which are characterized by important highlights, such as quality, innovation and customer service.

Svatopluk and Ljuba (2006) argue that strategies based on differentiation look for to set up essential contrast in a variety of measurements that buyers see a stamped differentiate between product and administrations of firm and its rivals. They assist include that firms that effectively

separate themselves are compensated for their uniqueness with a premium cost. The uniqueness ought to too interpret to benefit edges that are higher than those of competitors.

2.3.2 Superior customer services

Hamel & Prahalad (1990) defined core competencies as a range of specialized mastery that's the result of harmonizing complex streams of innovation and work activity. They advance clarify that a center competence has three characteristics to begin with it gives get to a wide assortment of markets, furthermore it increments seen client benefits and in conclusion it is difficult for a competitors to mimic. To succeed in building competitive advantage a firm must attempt to supply what buyers will and see as predominant esteem. This entails either a good quality product or a lower price or a better quality product that is worth paying more. Firms that continuously realign their business strategies in line with the emerging customer needs may not only retain their existing customers, but also gain unique competitive advantages in the industry (McGee, 2002).

Redefining customer value is going past arranging, to conveying great client fulfillment levels over all the client sections. It includes evaluating customers' seen values and their relative significance and deciding how best a firm ought to position it to provide administrations that coordinate customers' seen esteem in arrange to pick up a competitive edge (McGee, 2002). To rethink client esteem, a firm should profile clients, recognize esteem elements, spot tall esteem clients conjointly create conveyance procedures.

2.3.3 Competent staffs

Competent skills are the capacity of a trade to do more or way better (or both) than its competitors or the distinctive capabilities of work force that set them separated from those of competing firms. On the off chance that a bank has predominant aptitudes that empower it with prevalent database administration and information preparing capabilities the firm will more likely to attain solid competitive advantage. A company that illustrates the capacity to handle information quickly will have a competitive advantage over other firms with lower handling capacity. Being imaginative and creative is the obligation of the total workforce and permits learning organization's to adjust to changes within the state of the advertise, technology and competition proficiently. This adjustment to the energetic nature of commerce environment, keeps a firm within the cutting edge in this way a source of competitive advantage. Prevalent

abilities and predominant assets lead to positional advantage, prevalent client esteem and lower relative fetched (Asalu, 2017)

Hitt, Ireland and Hoskisson(1997) urged that the resources based view of competitive advantage assumes that each firm is a collection of unique resources and capabilities. These assets and capabilities are source of organizations procedure and competitive advantage. He advance states that prevalent esteem is earned when an organization employments its center competencies to set up competitive advantage over rivals. Maintainable competitive advantage is born out of the center competencies that surrender long term advantage to the company.

The internal resources and capabilities of an organization play very important role in building competitive advantage. The organizations that want to build competitive advantages, which cannot be eroded, must make linkages between the advantage and the capabilities underlying it as impenetrable and as confusing as possible. Also the most important part of the competitive advantage stems from a capability that is impossible to replicate (Sinha, 1998).

2.3.4 Image/reputation

Chandler and Hank (1994) suggest that a firm should use capabilities based on the resources like brand names and reputation in order to gain and keep competitive advantages. These give a business a competitive edge. Network effects or network externality refers to how easy is it for new customers to adapt to your product or service. If a firm's product is good, easy to use or your service is excellent then more customers will come to you. When Microsoft Windows came out it was so easy to use than the regular DOS or text based programs. So people have grown a liking to it and have recommended it to more people and those people recommended it to more people so on and so on. Another good example is face book.

When a part of individuals utilize a specific item or benefit, the item or benefit gets to be more important and hence increment in esteem in this way making competitive advantage. A few businesses have picked up competitive advantage since the section in their industry has been restricted by encompassing circumstances. Usually having barriers to section or imposing business model because there's government limitation on passage. This may be accomplished by having such as vital qualities of the firm as rareness, esteem, failure to be imitated, and failure to be substituted (Barney, 1991).

2.3.5 Accessibility and conveniences

To realize the potential that core competencies create, company must also have the imagination to envision markets that do not yet exist and the ability to stake them out ahead of competition. Company will strive to create new competitive space only if it possesses an opportunity horizon that stretches far beyond the boundaries of its current businesses (Hamel & Prahalad, 1991)

Area can also be a competitive differentiator. In case the area of your administrations or the office is prime or effectively open, clients will tend to look for your administrations for comfort purposes. On the off chance that your far off benefit competitors charge for travel time, other things being rise to, you'll charge more cash but not so much more that it pays the client to utilize your competitor. As of now clients are sharp on the accessibility of car stopping spaces or the separate from the office to a fundamental street for clients utilizing open implies. Branch arrange has customarily been seen as a way for banks to hold advertise control, since branches can fitting a few of the esteem clients put on area, and subsequently relieve (or maintain a strategic distance from) cost competition. Branches are moreover regularly seen as a boundary to passage, since they include expansive settled costs. Another potential drawback to buyers is that competition through branching can lead to a higher-than-optimal number of branches (compared with the perfectly competitive equilibrium). Due to the fixed costs associated with branches, this increases banks' costs, which are passed on to consumers Freixas and Rochet (1997) as cited in (Northcott, 2004)

Other approaches, however, demonstrate how branches can be beneficial to consumers. In an argument, Allen & Gale (2000) show that a few large banks with extensive branch networks can provide a more competitive outcome than a unitary banking system in an environment with switching costs: a large branch bank has less of an incentive to exploit the "locked-in" value of clients, because it is always competing for the clients' future business in another Product.

Another way in which branching can improve competitive conduct is by increasing the effective size of the market. As cited in Northcott (2004), Calem and Nakamura (1998) argued, branches can diminish the degree of advertise control applied in farther areas (relative to a unitary keeping money show) by expanding the compelling estimate of the geological showcase. Branching leads to more uniform estimating over inaccessible and urban areas. They moreover contended that, "branch keeping money tends to trade competition in thick urban markets to remote zones. In this way, department managing an account tends to extend the viable estimate of keeping money

markets.” Branches are a way for banks to hold a few advertise control; they moreover advantage shoppers by expanding get to administrations and by possibly moderating showcase control in farther ranges. In any case, the address is how numerous branches are ideal? As well numerous branches posture an obstruction to passage and incite a large settled fetched that will be passed on to customers, and as well few may evacuate the pro-competitive impact of expanding the measure of the showcase.

There's moreover a trade-off for banks in choosing the breadth of their branching systems. Whereas there are benefits to be picked up from separation, banks will contribute in branches as a way to maintain a strategic distance from price competition. In case there's a move towards cost competition (e.g., due to competition from banks or other money related firms), the number of branches should be anticipated to drop. That is, there may be a trade-off between cost competition and competition through branching. Dick (2003) as cited in Northcott (2004) examines the effect of lifting restrictions on branching in the United States after the Riegle-Neal Act in 1994. Lifting the restrictions on branching was associated with both higher concentration and increased competition in lending rates. These studies are consistent with the idea that branching can have adverse effects on profitability of banks as revealed by Calem and Nakamura's research. Calem and Nakamura concluded that branch network approach is associated with high growth of a bank in a competitive banking environment. Calem and Nakamura (1998) research revealed that this approach breeds high transaction costs which affect profitability of banks.

2.3.6 Use of Technology

The survival of a venture depends on how to make strides their mechanical development capability. Based on change forms and escalates competition, companies hunt for emergent development models to pick up competitive advantage and to extend their execution. The execution of such modern models requires choices on methodology and execution from the company's administration (Watchman, 1996). Procedure is about performing distinctive exercises from those of match companies or performing comparative exercises in several ways. Technique continuously includes chance, since there's vulnerability around buyer behavior, competition, and innovative alter (Rosenberg & Schewe, 1985)

The technological change can create new possibilities for the design of a product, the way of commercialization, produce it or deliver it and the subsequent auxiliary provided services. New sectors are born when this technological change makes a new product feasible (Porter, 1990)

In addition to the above, the banking industry is an intensive user of a wide range of technologies, including information technology, telecommunications, and financial product technologies. Technological innovations can affect the incentives faced by banks and thereby affect bank behavior and the structure of the market.

BIS (2001) propose, mechanical advance has the potential to extend economies of scale in an assortment of bank items and administrations, such as installments handling, cash administration, and back office operations. Hence, there's the potential for an increment within the profitable effectiveness of banks. At the same time, the contention that mechanical advance has driven to more scale economies has been proposed as a driving constrain towards solidification and concentration. Whereas higher-scale economies will clearly advantage bigger educate, littler banks may too advantage by outsourcing forms that are especially influenced. ATM (Automated Teller Machine) networks provide an alternative, lower-cost way to establish a physical delivery system, thereby reducing sunk costs and barriers to entry. At the same time, because they provide a range of basic services (including deposits, account transfers, and payments), ATMs can provide many of the benefits such as increasing the geographical scope of competition.

Vesala (1998) argued in his hypothetical model about banks that have department and ATM networks lead to rise of farther banking and an increment in cost competition indeed in the event that there's no unused section into the showcase. Farther banking has the potential to progress contestability by diminishing sunk costs and boundaries to passage. The degree to which this happens depends on different things, such as the advertise entrance of the technology and the sorts of administrations given. For case, shoppers still depend on ATMs and branches to get to cash. Even this dependency may be falling, as consumers rely more and more on cashless payments and on practices.

Ferdinard (2002) carried out a study on the competitive strategies applied by Tesco Company in the UK. This study was carried on 230 employees in the various departments of the company. He noted that the company was positioned to capitalize on a value proposition which emerged from their low cost emphasis. They also found that the company typically focused their efforts on

value-oriented customers in the market. Value products are focused on providing value-oriented customers with products that are indeed value-for-money, relative to competitive offerings.

Olmsted and Jamison (2001) carried out an investigative study on the competitive strategies applied by banks in China from 1978 to 1998. The author states that the sector witnessed important players' going in and out, different legal regulations were fulfilled, the structure and intensity of the competition became different, and trade making/differentiation became the most important element of the competition in that period.

In Kenya, various studies on the adoption of competitive strategies have been undertaken on local firms, for instance, Karanja (2002) looked at competitive strategies in real estates' using Porter's framework and Murage (2001) investigated the competitive strategies adopted by members of The Independent Petroleum Dealers Association. Both studies found that competitive strategies lead to superior performance.

The study by Karanja (2002) found that the strategies pursued by Real Estates conform to Porter's Generic Strategy types and since Real Estates serve customers from different income groups, all the three generic strategies were found to be significantly related to performance. The more these strategies were pursued, the more the performance of real estates improved leading to superior performance. Also, Murage found generic strategies to have positive effects on the superior performance of Petroleum companies and recommended increased pursuit of these strategies by all Petroleum Dealers in Kenya.

Research on generic strategies has identified strong links between Porter generic strategy types and performance. Some studies have found support for a single-strategy performance benefit (Allen & Helms, 2006) and (Hahn & Powers, 2010). While others studies have shown that it is possible to pursue a strategy that includes both cost and differentiation competitive methods. In a service industry, Allen and Helms, (2006) found that hospitals follow generic strategies and conclude that a focused cost leadership strategy is the best route to superior performance. Similarly, in their research on the UK wine industry, Richardson and Dennis (2003) found the hybrid focused differentiation approach was best for niche segments. Spanos Zaralis and Lioukas (2004) studied the Greek manufacturing hybrid strategies were preferable to pure strategies.

Baer, as cited in Zardkoohi and Fraser (1998) identified four factors that produce greater competition. First, by allowing for larger banking organizations, geographical deregulation

makes it easier for banks to achieve economies of scale and scope. Second, easier entry into banking markets, especially highly profitable markets, provides incentives for existing banks in those markets to price their services competitively. Third, reduced restrictions on entry motivate banks to offer more convenient delivery systems for their customers. Fourth, banks that operate over a large geographical area offer standard products at a uniform price throughout their market. While the appearance of new competitors in local banking markets may stimulate the accrual level of competition, the threat of potential entry might also stimulate competition, even if no actual entry by out-of-market institutions takes place.

The study findings of Acquaah and Yasai (2008) show the viability and profitability of implementing cost leadership, differentiation, and the combination of the singular strategies. Nevertheless, the incremental performance benefits to firms implementing a combination strategy do not significantly differ from the performance of firms implementing only the differentiation strategy. In addition, firms that implement a coherent competitive strategy (combination, cost-leadership, or differentiation) tend to gain considerable incremental performance benefits. Chen(1999) studies the critical success factors of the banking industry in Taiwan. The researcher listed 25 items (questions) as critical success factors and distributed to 138 respondents who have different business strategies. Of the 138 respondents who indicated their business strategy, 26 (18.8 per cent) were prospectors, 74 (53.6 per cent) were analyzers, 34 (24.6 per cent) were defenders, and 4 (2.9 per cent) were reactors. The researcher also used factor analysis for his study and the research result identified four critical success factors in the banking industry,

Among these factors, factor one deal with issues related to internal management, i.e. staff politeness and kindness, the management ability of the bank manager, the speed of handling business, the ability of computerization, the ability of asset and liability management, and the ability of internal auditing and control and Chen named these factors as ``ability of bank operation management". Factor two called, ``ability of bank marketing", holds four items that refer to issues related to business and marketing: long-term relationships with customers; deposit acquisition; realizing the activities of other banks; and providing sufficient staff incentives. Factor three includes three items that focus on the description of a bank's outlook. Ability of developing bank trademarks which consists of bank reputation and good image, bank location (including business opportunities and transportation), and the number of bank branches were

listed as factor three. Finally, the researcher identified three items as factor four that describe issues linked with ability of financial market management. They include quantity and contents of service items; government deregulation policy; and the prosperous stock and securities market.

Tushman and Nadler stressed that “organizations’ can gain competitive advantage only by managing effectively for today while simultaneously creating innovation for tomorrow” and suggested that “there is perhaps no more pressing managerial problem than the sustained management of innovation”. Tushman and Nadler (1986) identify visionary leadership and also people, structures and values as important factors that affect whether an organization realizes benefits from innovation. Innovation is still seen as a critical driver of economic performance.

Mutura (2006) examined factors influencing the effectiveness of guarantorship in loan recovery on Mwalimu Sacco society limited. Both studies found that the firms adopt generic strategies to enhance performance. The Studies of Mbai (2007), on competitive strategies, which were adopted by Mwalimu Sacco to meet challenges as a result of the 1997 liberalization of the Kenyan cooperative movement. He found that the competitive strategies adopted gave the SACCO a competitive advantage over other Sacco’s in terms of national wide membership. In Ethiopian context, one cannot confidently argue that there has been rigorous banking competition. During the pre-1975 imperial era, there had few banks (dominated by foreign ownership) and the absorptive capacity of the economy was too low even to accommodate moderate competition. In the Derge regime (1975-1991), private banks were fully nationalized and left no room for competition. After the down fall of the Derge regime in 1991, private banks were again allowed to operate consistent with the ideology of market oriented economic policy (Alemayehu, 1986).

2.4 Conceptual frame work

Increased competition in the banking industry threatens the attractiveness of the industry thereby reducing commercial banks’ profitability. This is because it exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. In order to remain competitive and outperform their competitors, commercial banks have to develop appropriate strategies and identify the main determinants of competitive advantage to drive their performance.

Different factors that influence the competitive advantage in organizations are identified by different authors. Price, quality of service provision, location, imbedded customer base, image/reputation, product innovation; differentiations, technology/information system, leadership, and competent employees are the different factors that affect competitive advantage. The better your business performs against one of these factors, the more likely you are to succeed being this provides a quick path to gaining more business or market share than competitors. Therefore, the determinants of competitive advantages of branch banks in Worabe areas are.

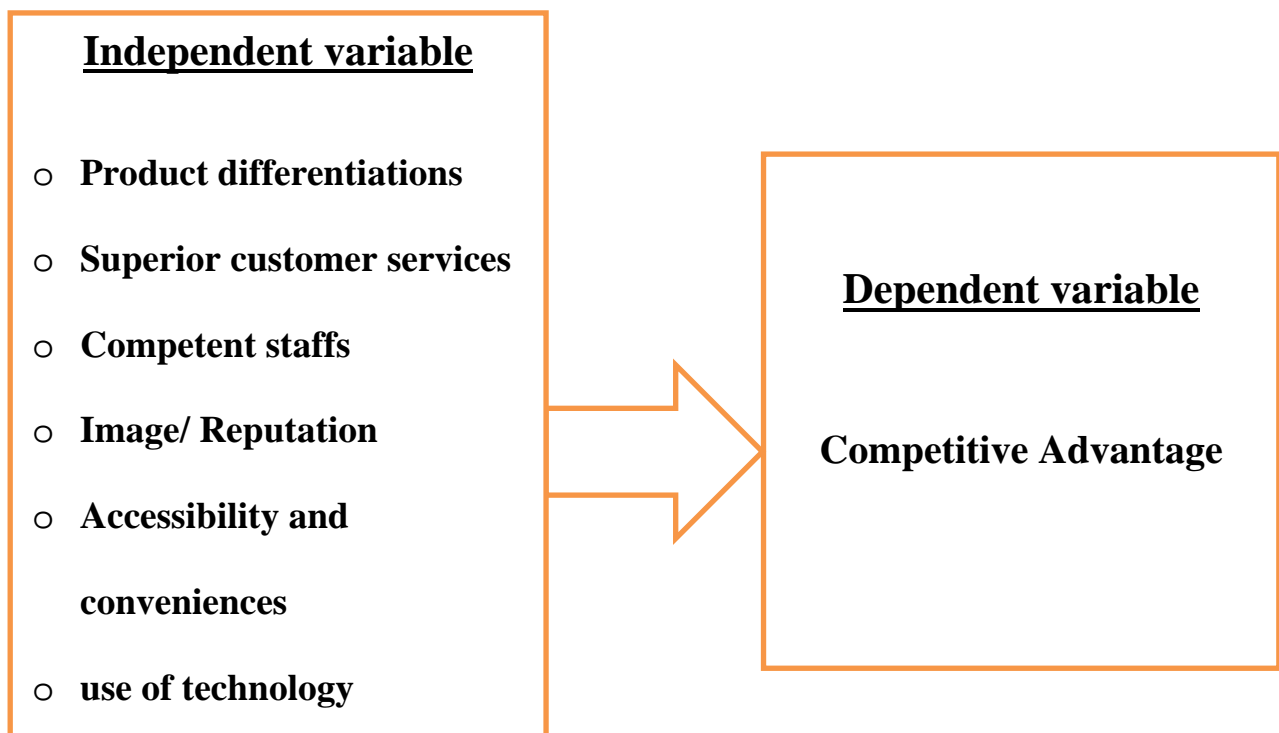


Figure 1: Conceptual Framework of the Study

Source: from different literature and own formulation

2.6 Operational definition of variable

Dependent variable

Competitive advantage

It can be viewed as the position of offering better quality services as compared to competitors. According to Porter (1990) a firm's level of competitiveness is the ability of an organization to develop and offer products and services regarded by customers as of higher quality compared to those of competitors. In the minds of customers, competitiveness is often attributed to success.

Independent variables

Product differentiation

Studies have been conducted on differentiation and organizational competitiveness. For instance, Nolega, Oloko, Sakataka and Oteki (2015) examined product differentiation strategies and how they affected firm product performance.

Superior customer service

Firms that continuously realign their business strategies in line with the emerging customer needs may not only retain their existing customers, but also gain unique competitive advantages in the industry (McGee, 2002).

Competitive staff

According to Hitt, Ireland, & Hoskisson (1997), the resources based view of competitive advantage assumes that each firm is a collection of unique resources and capabilities. These resources and capabilities are source of organizations strategy and competitive advantage.

Image/reputation

Chandler & Hank (1994) suggest that a firm should use capabilities based on the resources like brand names and reputation in order to gain and keep competitive advantages.

Accessibility and convenience

Rahman and Ahmed (2008) propose that ease of access to banking facilities is a key determinant for customers when choosing a bank. Maiyaki (2011) cited in Khatbaeva, Al-Subaicy and Enyonda (2014) indicates that the closeness of the bank to the office or to a customer's residence accounts for high preference due to easy accessibility

Use of technology

Technology is a key factor that influences competitive advantage. The concept of knowledge management concerns creation of structures that combine the most advanced elements of technology resources and the indispensable input of human response and decision making (Raisinghani,2000).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

In this chapter the research design, research approaches, data type, source and methods of data collection, operational definition and measurement of variables, econometric model specification and data analysis methods had been briefly discussed.

3.2 Description of the study area

Designing a research is making a road map to a study which leads all functions and steps undertaken (Kothari, 2004). Research design defines as the conceptual structure with in which research is conducted; and it consists of the blue print for the collection, measurement and analysis of data.

The research design that employed in this study had been an explanatory design based on the nature of the research objective and the various independent variables that determinant of competitive advantage in commercial banks. The explanatory analysis was used to investigate the relationships between the variables of the study in a causal system by avoiding bias, summarization of large information and testability of the hypothesis. This is because the objective of this study is to examine the cause and effect of the determinant variables/independent variables (product differentiation, superior customer service, competitive staff, image/ reputation, accessibility & convenience and use of technology) on competitive advantage.

3.3 Research Approaches

According to Creswell (2009) there are three basic types of research approaches, qualitative, quantitative and mixed approach.

In this study the researcher used quantitative research approach in collecting and analyzing data because it is important to better understand the research problem by converging numeric trends from quantitative data based on Likert scale.

The quantitative approach employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield numeric data that can be analysed using

statistical procedures. It is a means for testing objective theories through examining the relationship among variables. It is advantageous as it, procedurally, follow scientific approach, tests reliability and validity of the instrument. It minimizes bias from the researcher’s influence and employs large sample size.

3.3.4 Sampling design

3.4.1 Population of the study

Since the research is aimed to investigate the determinants of competitive advantages of branch banks in Worabe town, the total population is the employees of the six branch banks in the town.

Table 3.1 Population based on banks

No	Name of branch	Total employees
1	Dashen bank	17
2	Nib International bank	15
3	Commercial bank of Ethiopia	46
4	Debub Global bank	16
5	United bank	17
6	Awash bank	14
	Total	125

Source: survey result (2018)

There are 125 employees in all branches. From the total of 125 employees taking respective sample has found preferable to save economy and their time even though including all employees’ idea on the analysis would have been better for conclusion

3.4.2 Sampling technique and sample size determination

In addition to time, money and data constraints that had played an important role in selecting of the sample size, it is very important to determine a sample size by considering the practical situation. In this study, simple stratified random sampling was used to allocate the sample from each bank considering each bank as strata. The reason is since stratified sampling technique of the proportional allocation is used to reduce the chance of being unlikely and having a disproportionally large or small number of sample units selected from a subpopulation that was considered significant for the analysis.

Therefore, to determine the sample size the researcher used the Yamane’s formula as follows:

$$n = \frac{N}{1+N(e)^2}$$

Where “n” is sample size,

“N” is number of population,
 “E” is 0.05 which is an allowance of random error (sampling error).

$$n = \frac{N}{1 + N(e)^2} = \frac{125}{1 + 125(0.05)^2} = \frac{125}{1.3125} = 95$$

Therefore, as shown by table 3.2, the sample size determined was 95 (76%) which is distributed to the six banks targeted proportion to the total number of employees of each bank.

Table 3.2 samples taken from branches

No	Name of branch	Total employees	Sampling distribution
1	Dashen bank	17	13*
2	Nib International bank	15	11
3	Commercial bank of Ethiopia	46	35
4	Debub global bank	16	12
5	United bank	17	13
6	Awash bank	14	11
	Total	125	95

* = 17*95/125

Source: survey result (2018)

Finally, the sample respondents were selected randomly from all banks.

3.5 Data sources and methods of data collection

3.5.1 Data sources

The necessary data for the study obtained from primary data sources. The main base for the study is primary data which was collected through field work survey in order to get information on the issue of determinants of competitive advantage of commercial banks through questionnaire. The structured questionnaire consists of closed ended questions to collect quantitative data from the respondents.

Questionnaires were pre tested by 20 bank employees’ and the necessary corrections were made and standardized before they were circulated to the respondents to test the validity. Subsequently, this questionnaire was filled by the selected employees, to reflect their work to the issue under study.

3.5.2 Data Collection Techniques

In conducting this research work, primary data is used. Questionnaires were used to collect primary data from respondents and its advantage is covering a large number of respondents easily and quickly. To gather the necessary data close ended questions were used. One type of questionnaires were developed for bank employees.

Questionnaires were distributed to all respondents to get primary data on the determinants of competitive advantage. The questionnaires consist of two sets: The first set consists of personal data of respondents. The second set consists of questions related to determinants competitive advantage of banks. The set of the questionnaires have been provided to the bank employees.

3.6 Model specification and Measurement

3.6.1 Model specification

In this study there are more than one independent variables were selected to examine determinates competitive advantage of banks therefore, the research used the following multiple regression model.

$$Y_i = \beta_0 + \sum \beta_i X_i + \epsilon_i$$

Where

Y_i = the i th observation of dependent variables

β_0 = the intercept of the equation

β_i = coefficients of X_i variables

X_i = the different independent variables

Σ = summation

ϵ_i = the error term

$$\text{COMPADVA} = \beta_0 + \beta_1 (\text{PD}) + \beta_2 (\text{SCS}) + \beta_3 (\text{CS}) + \beta_4 (\text{IOR}) + \beta_5 (\text{ACC}) + \beta_6 (\text{UTECH}) + \epsilon$$

Where:

COMPADVA = Competitive Advantage

PD = Product differentiation

SCS = Superior customer service

CS = Competitive staff

IOR = Image or reputation

ACC = Accessibility and convenience

UTECH = Use of Technology

Where Y stands for the mean values of competitive advantage, whereas, $\beta_0, X_1, X_2, X_3, X_4, X_5, X_6$ and ϵ denote the intercept of the equation, mean values of product differentiation, mean values of superior customer service, mean values of competitive staff, mean values of image or reputation, mean values of accessibility and convenience, mean values of use of technology and error term of the equation respectively. In addition, $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ and β_6 are the parameters of the equation.

As to the classical Linear Regressions Model in this study the following assumptions were checked.

- The random variable (ϵ) is independent of the explanatory variables. This means there is no correlation between the random variable and the explanatory variable.
- No autocorrelation between the errors. This means the value which the random term assumed in one period does not depend on the value which it assumed in any other period.
- No 'perfect multicollinearity between independent variables. That is, no explanatory variable can be written as a linear function of other explanatory variables.

3.6.2 Measurement

In connection with measurement of the instrument there are many different types of validity and reliability. Threats to validity and reliability can never be erased completely; rather the effects of these threats can be weakened by giving attention to validity and reliability throughout a piece of research (Cohen & Teal, 2007).

3.6.3 Reliability Test

Cohen & Teal (2007) Stated that Reliability in quantitative research is essentially a synonym for dependability, consistency and reliability over time, over instruments and over groups of respondents. In this form reliability is a measure of consistency over time and over similar samples. A reliable instrument for a piece of research will yield similar data from similar respondents over time.

The advantage of doing a pilot study include; it helps to detect potential defects in the measurement procedures, it assists in identifying ambiguous items, and it allows the researcher to become aware of nonverbal behavior that may occur due to the error wording questions. Therefore, the researcher conducted a pilot reliability test to confirm whether the customized instruments understood or not by respondents before the questioners were distributed.

To measure the reliability of the questioner, the researcher applied a preliminary reliability test by taking 20 respondents. According to (Kerlinger & Lee, 2000), a minimum acceptable level of coefficient alpha is 0.7.

From table 3.4, the pilot reliability test seen that, the overall cronbach's alpha value of the dependent and independent variables of the study achieve the average requirement of reliability analysis. Therefore, the researcher can assume that the pilot test of the instrument was reliable for data analysis.

Table 3.3 Reliability Statistics

Variables	No. of respondents	No. of items	Cronbach's alpha
Product differentiation	20	3	.750
Superior customer service	20	3	.813
Competitive staff	20	4	.787
Image or reputation	20	4	.818
Accessibility and convenience	20	4	.799
Use of Technology	20	3	.850
Competitive Advantage	20	6	.832

Source: SPSS out puts of pilot test, 2018

3.6.4 Validity Test

We might ask the question: are we measuring what we want to measure? To tackle this problem researcher uses validity test. Validity is the extent to which data accurately reflects what they meant to reflect. Some factors can affect the validity of data, such as a respondent is in a speed to

complete the questionnaire and misinterpretation of questions by the respondents will affect validity (Ayele, 2013).

The researcher tested the validity using an expert panel discussion with managers at different levels to get some comment on the instrument and make some rearrangement in some questions.

3.7 Method of data analysis and processing

Quantitative method was used to analyze the data. Under the quantitative method the Likert Scale was included in the questionnaires. The Likert scale (frequently known as an “agree disagree” scale) was first published by psychologist Rensis Likert in 1932. The technique presents respondents with a series of attitude dimensions for each of which they are asked whether and how strongly, they agree or disagree, using one of a number of positions on a five point scale. In here five point Likert- scales were used to score the responses as Strongly disagree (1), Disagree (2), Neutral (3), Agree (4) and Strongly agree (5). Statistical Package for Social Sciences (SPSS) was used to analyze the data collected through Likert scales.

The researcher used correlation and regression analysis methods. In the descriptive analysis, basic features of data such as mean and standard deviation for each variable were presented and calculated. In addition, the mean such as percentages, tables and charts were used to present and describe the data. Furthermore, correlation and regression analysis was used to measure the strength of the association and effects between each independent variable and the dependent variable.

CHAPTER FOUR

RESULTS DISCUSSION AND INTERPRITATION

4.1 Introduction

The primary objective of this paper is to investigate the determinants of competitive advantage in Commercial Banks of Ethiopia: the case of Worabe Town. This part of the research discusses about the findings based on the information gathered from the questionnaires.

4.2 Response rate

In order to undertake this study, a total of 95 questionnaires were distributed to the bank employees and among the total questionnaires 89 (93.7%) were completed and returned (table 4.1). The survey questionnaire is attached at the end of the thesis as Appendices.

Table 4.1 response statistics

No	Name of branch	No of respondents who completed & returned questionnaire
1	Dashen bank	11
2	Nib International bank	11
3	Commercial bank	32
4	Dehub Global bank	11
5	United bank	13
6	Awash bank	11
	Total	89

Source: SPSS output of Field survey (2018/2019)

The data which had been collected represents the sample and can be used to make conclusions. Based on the data obtained from the respondents, the following analyses and interpretations have been made.

4.3 Characteristics of Respondents

In this section the general background about the respondents who participated in answering the questionnaires of the study has discussed briefly. In the data gathering process the basic characteristics like educational background, occupation, and work experience were collected, presented & analyzed in the following manner.

Table 4.2: Demographic statistics of respondents'

Demographic Variables	Alternative responses	Frequency	Percent	Cumulative percent
Educational level	0 level	7	7.9	7.9
	Diploma	9	10.1	18.0
	Degree	62	69.7	87.6
	Master	11	12.4	100.0
	Total	89	100.0	
Current position	Manager	6	6.7	6.7
	A/manager	8	9.0	15.7
	Supervisor	6	6.7	22.5
	Cashier	6	6.7	29.2
	Auditor	6	6.7	36.0
	Maker	32	36.0	71.9
	Checker	7	7.9	79.8
	Attendant	5	5.6	85.4
	Messenger	5	5.6	91.0
	Security Guard	8	9.0	100.0
	Total	89	100.0	
Work experience	1-5	30	33.7	33.7
	6-10	37	41.6	75.3
	11-15	14	15.7	91.0
	16-20	8	9.0	100.0
	Total	89	100.0	

Source: SPSS output of Field survey (2018/2019)

Based on table 4.2 above the employee educational level scores 69.7% which clearly indicated that the majority of the work force acquires their 1st degree. And master degree holders constitute 12.4% followed by 10.9% who are diploma holders. The rests 7% are high school complete employees. From this we conclude that most of the employees are educated enough and the data collected were reliable.

Regarding the occupational level of respondents, as depicted in table 4.1, the majority of employees are makers (36%) which are followed by V/managers, and security guards with the same rate of 9%. This implies employees are highly distributed to different occupations with relatively similar number except makers.

In the assessment of the respondents' experience, the result revealed that the majority have service years of 6-10 years (41.6%) followed by 1-5 years of service respondents with 33.7%. The last groups of the respondents are employees with above 10 years of experience which only 24.7%. Around half of the total respondents has an experience more than, so the information obtained can be trusted to conduct meaningful analysis.

4.4 Descriptive statistics for study variables

Descriptive analysis has been conducted on the whole data set of variables In order to understand the nature and types of distribution (average mean and standard deviation) for the study,. The descriptive results of means and standard deviation were analyzed and ranked in increasing order for each of the construct. A mean scale of 1.00 – 5.00 was used, with a mean < 3.00 indicating low level of agreement by the respondents, mean = 3.00 indicating respondents are neutral and mean > 3 indicating high level of agreement by the respondents. The descriptive statistics results of this study have been presented and interpreted in the following way.

4.5 Distribution of the variable

The study identified five independent variables namely product differentiation, superior customer service, competitive staff, image/ reputation, accessibility & convenience and use of technology. Descriptive analysis was conducted on the whole data set for variables in order to understand its nature and types of distribution (average mean and standard deviation) and the results show in table 4.3.

Table 4.3 Description of variables

	Mean	Std. Deviation	N
Competitive advantage	3.11	.763	89
Product differentiation	3.23	.862	89
Superior customer service	3.27	.821	89
Competitive staff	3.37	.779	89
Image/ Reputation	3.34	.886	89
Accessibility and convenience	3.10	.874	89
Use of technology	3.16	.851	89

Source: SPSS output of Field survey (2018/2019)

The SPSS output showed the average mean result ranged from 3.10 (accessibility and convenience) to 3.37 (competitive staff) which means that the respondents had positive response towards the constructs being measured. In addition, the standard deviation for the constructs was ranged between 0.763 and 0.886 which indicate a narrow spread around the mean.

4.6 Regression Assumption Checks

The correct use of the multiple regression models requires that several critical assumptions be satisfied in order to apply the model and establish validity (Poole & O’Farrell, 1971). Inferences and generalization about the theory are only valid if the assumptions in analysis have been tested and justified. Hence the following compulsory assumption checks were made.

Multicollinearity

Collinearity (also called multicollinearity) refers to the assumption that the independent variables are uncorrelated (Darlington, 1968; Keith, 2006). The researcher is able to interpret regression coefficients as the effects of the independent variables on the dependent variables when Collinearity is low (Keith, 2006). This means that we can make inferences about the causes and effects of variables reliably. Multicollinearity occurs when several independent variables correlate at high levels with one another, or when one independent variable is a near linear combination of other independent variables (Keith, 2006). The more variables overlap (correlate) the less able researchers can separate the effects of variables.

While the variables overlap each other/correlate/ the researcher investigates similar view of the study area. Hence, before testing the hypothesis, the regression assumption of multicollinearity

was checked. One method to detect high multicollinearity is variance-inflating factor (VIF). According to this study the VIF is found to be less than 10 as it is shown in table 4.4. Therefore according to guideline there was no multicollinearity between independent variables. Therefore the assumption of multicollinearity is satisfied.

Homoscedasticity

Homoscedasticity is one of the assumptions in multiple linear regression models. Shows the variance of unobserved factors which is unchanged across different segments of the population. The assumption of homoscedasticity fails whenever the variance of the unobserved factors changes across different segments of the population which are determined by the different values of the explanatory variables and is called heteroscedasticity.

Whenever it is marked it can lead to distortion of findings and weaken the overall analysis & statistical power of analysis (Spring, 2002). To check this we can see the figure of scatter plot for residuals as it is presented in figure 2 below. As we see the scatter plot they are not in symmetric form this indicates that residuals have equal variance. Hence the assumption of homoscedasticity is satisfied.

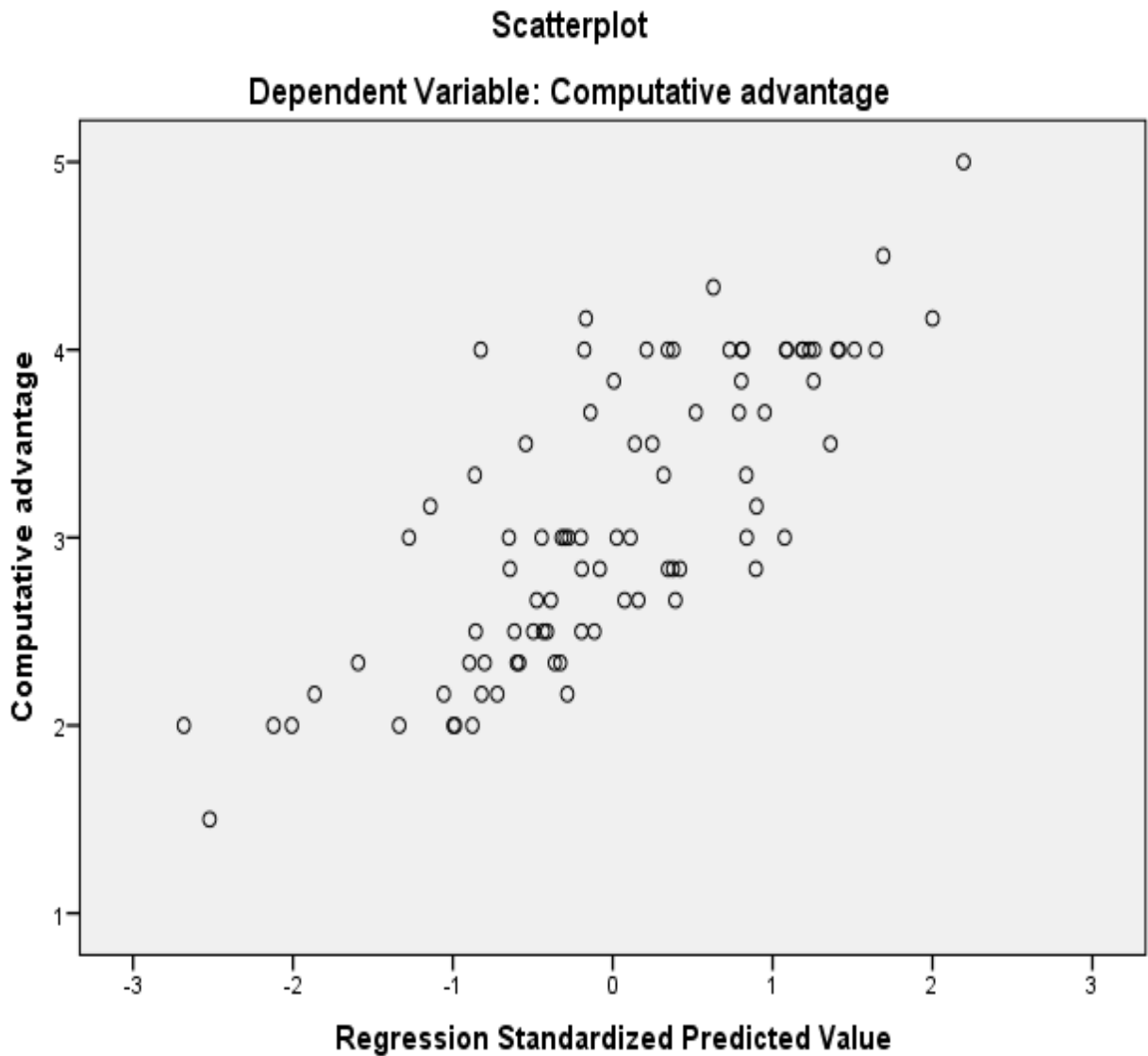


Figure 4.1 Scatter plot

Source: SPSS output of Field survey (2018/2019)

Normality of ϵ

According to normality of ϵ test the value of residuals should be normally distributed across independent variables. To check this assumption we can use SPSS to draw P plot for residuals (Spring, 2002). And as it is presented on figure 4.4 residuals are normally distributed across observations so that the assumption of normality is satisfied.

Normal P-P Plot of Regression Standardized Residual

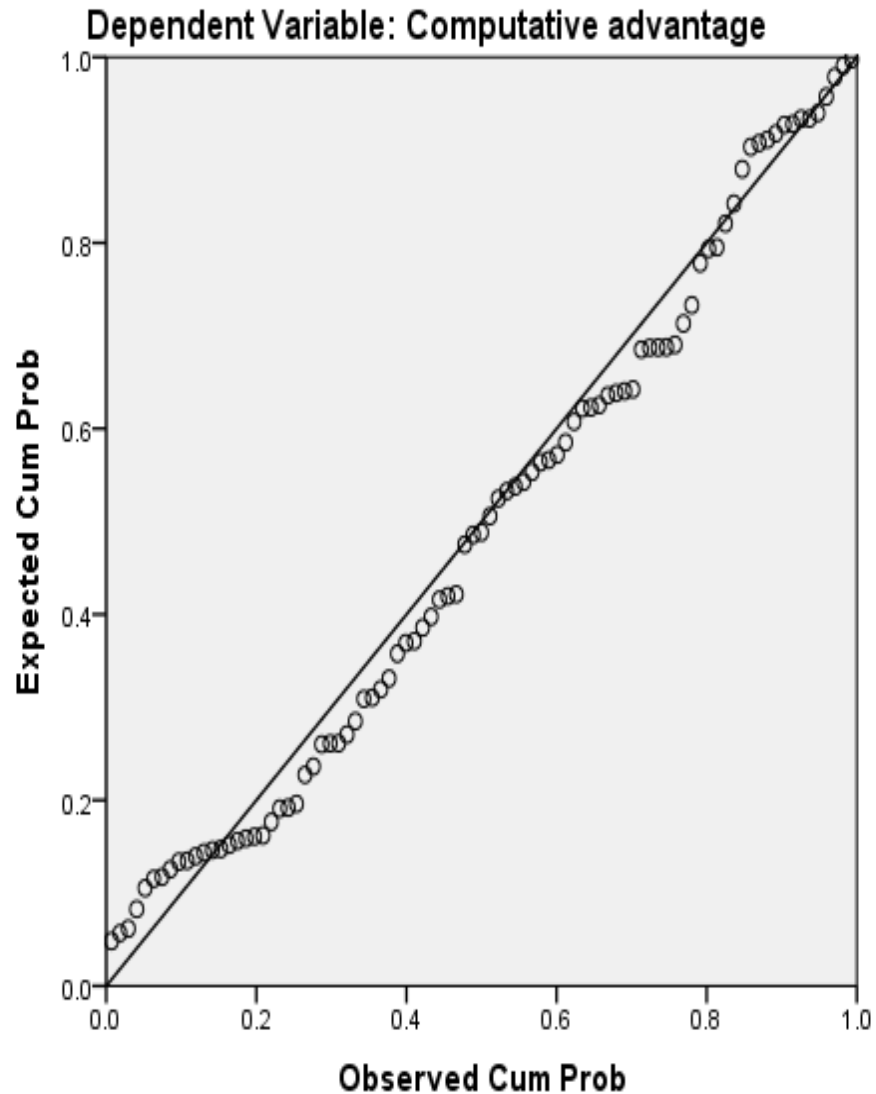


Figure 4.2 scatter plot

Source: SPSS output of Field survey (2018/2019)

Durbin-Watson Co-Integration (Autocorrelation) Test

The Durbin-Watson autocorrelation test decision rules residuals are not serially correlated (auto correlated) is desirable.

NULL (H_0): Residuals are not serially correlated (auto correlated),

ALT (H_1): Residuals are serially correlated (auto correlated)

If the DW d-statistic is between d_u and $4-d_u$ (If $d_u < d < 4-d_u$) residuals are not serially correlated (auto correlated) then the H_0 : cannot be rejected. If, on the other hand, it is below d_l or above $(4- d_l)$ then residuals are serially correlated (auto correlated) it needs farther an error correction methods.

Where

d_l = lower critical values

d_u = upper critical values

d = d-calculated

As described in the table 4.5: presented the critical values of d_l , d_u , d , $4- d_u$ and the decision results d lies in the non-rejection region and the assumption of autocorrelation has satisfied in this study.

Table 4.4: Durbin-Watson test result and critical values at 1% significance level and $df = 5$

Null hypothesis	d_u	d_l	D	$4- d_u$	If $d_u < d < 4- d_u$	Decision
No autocorrelation, positive or negative	1.518	1.801	1.711	2.199	$1.518 < 1.711 < 2.199$	Do not reject

4.7 Correlation Analysis

Multicollinearity is a serious problem if the correlation coefficients between two repressors are high, say .80 (Gujirati, 2005).

Based on the analysis the maximum correlation result was founded 0.562 that is the correlation between product differentiation and superior customer service (table 4.4). The rests have a correlation result below 0.562 even it is below 0.8. This indicates that the problems of multicollinearity in both all variables are not threat in this study.

Table 4. 5 Pearson Correlation result table

		Product differentiation	Superior customer service	Competitive staff	Image/ Reputation	Accessibility and convenience	Use of technology	Competitive advantage
Product differentiation	Pearson Correlation	1	.562**	.512**	.480**	.130	.301**	.595**
	Sig. (2-tailed)		.000	.000	.000	.225	.004	.000
	N	89	89	89	89	89	89	89
Superior customer service	Pearson Correlation	.562**	1	.472**	.351**	.027	.157	.516**
	Sig. (2-tailed)	.000		.000	.001	.801	.141	.000
	N	89	89	89	89	89	89	89
Competitive staff	Pearson Correlation	.512**	.472**	1	.468**	.324**	.268*	.616**
	Sig. (2-tailed)	.000	.000		.000	.002	.011	.000
	N	89	89	89	89	89	89	89
Image/ Reputation	Pearson Correlation	.480**	.351**	.468**	1	.127	.271*	.527**
	Sig. (2-tailed)	.000	.001	.000		.237	.010	.000
	N	89	89	89	89	89	89	89
Accessibility and convenience	Pearson Correlation	.130	.027	.324**	.127	1	.072	.355**
	Sig. (2-tailed)	.225	.801	.002	.237		.500	.001
	N	89	89	89	89	89	89	89
Use of technology	Pearson Correlation	.301**	.157	.268*	.271*	.072	1	.430**
	Sig. (2-tailed)	.004	.141	.011	.010	.500		.000
	N	89	89	89	89	89	89	89
Competitive advantage	Pearson Correlation	.595**	.516**	.616**	.527**	.355**	.430**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.001	.000	
	N	89	89	89	89	89	89	89

** . Correlation is significant at the 0.01 level (2-tailed).

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

Source: SPSS output of Field survey (2018/2019)

On the correlation of the study variable, the researcher conducted a spearman’s rank correlation analysis. From the finding indicated by the table, the study found that there was a strong positive between competitive advantage and product differentiation as shown by correlation factor of 0.595, this strong relationship was found to be statistically significant as the significant value was 0.001. Association between competitive advantage and superior customer service was found to have a positive relationship as shown by correlation coefficient of 0.516; this was significant at the 0.001 level of significance. Competitive advantage and competitive staff were found to have strong positive correlation with a correlation coefficient of 0.616 and this to be significant

at the 0.001 level of significance. The study found that there was a positive correlation between competitive advantage and image/reputation and between competitive advantage and accessibility & convenience as shown by correlation factor of 0.527 and 0.355 respectively, both of these relationships were found to be statistically significant as the significant value was 0.001. The researcher found positive correlation between competitive advantage and use of technology as shown by correlation coefficient of 0.430, also found to be significant at 0.001 level.

4.8 Regression Analysis & test of hypothesis

A regression was run to determine the predictive power of the independent variables (product differentiation, superior customer service, competitive staff, image/reputation, accessibility & convenience and use of technology) of banks in explaining competitive advantage in commercial bank of Ethiopia in Worabe town. The results have been presented interpreted as follows.

The other part of multiple regression analysis is about testing the effect of each predictor included in the model on the dependent variable. The value of standardized beta coefficient can identify the most and least determinants that affects the competitive advantage of banks.

The initial model of this study can be formulated as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \dots + \beta_N X_N + \epsilon$$

$$\text{COMPADVA} = -.474 + .172(\text{PD}) + .192(\text{SCS}) + .203(\text{CS}) + .152(\text{IOR}) + .191(\text{ACC}) + .197(\text{UTECH}) + \epsilon$$

Test of the goodness of fit of the model

The predictive power of the model is shown by R Square (the coefficient of determination). R-Square is a measure of how well the model is able to predict the changes in the actual data. R-Square ranges between 0 and 1, with values over .500 indicating a good fit between the predictions and actual data (Gujarati, 2004). Hence as it is shown in table 4.5 R-square is .615 which is over .500 and this indicates how good the predictive power of the model is.

Table 4. 5 model summery

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.784 ^a	.615	.587	.490

a. Predictors: (Constant), Use of technology, Accessibility and convenience, Superior customer service, Image/ Reputation, Competitive staff, Product differentiation

b. Dependent Variable: Competitive advantage

Source: SPSS output of Field survey (2018/2019)

According to the multiple regression analysis tables above, the multiple correlation coefficient $R = 0.784$ indicates that there is a strong positive correlation between determinates (product differentiation, superior customer service, competitive staff, image/reputation, accessibility & convenience, use of technology) and competitive advantage of banks. This means that the independent variables and dependent variable change in the same direction. The results showed that the determinants accounted for 61.5% ($R^2=0.615$) of the variation in competitive advantage and that (61.5%) of the variance in the banks competitive advantage is significantly explained by the six independent variables of the competitive advantage. It also means that the higher the determinants of competitive advantage determinants applicability, the higher the applicability of competitive advantage.

The adjusted $R^2= 0.587$ detects the generalizability of the model. It allows generalizing the results taken from the sample to the whole population. It is noticed that the value of adjusted R^2 is very close to the value of R^2 . If the adjusted R^2 is excluded from R^2 ($0.615 - 0.587$), the value will be 0.028. This small value (0.028) indicates that if the model has been fitted when the whole population participates in the study, there will be 2.8% less variance in the outcome.

ANOVAs result

F test guiding general rule; PD, SCS, CS, IOR, ACC & UTECH are jointly influence COMPADVA desirable;

H_0 ; Model is not significant H_1 ; Model is significant

F-statistics test the overall significance of the model under study. F-calculated is compared with F-tabulated where F-calculated is greater than F-tab we reject the H_0 : and conclude that the variable is statistically significant in explaining the dependent variable.

As it is shown in the ANOVA table (table 4.6), As described in the table 4.9: it shows that F-statistics is 21.831 and Prob (F-statistic) = 0.0000, therefore reject H_0 : and accept H_1 : results implies that the model is statistically significantly different from zero. In other words, the explanatory (independent) variables jointly considered as significantly important in explaining variation in the dependent variable competitive advantage.

Table 4. 6 ANOVA table

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	31.494	6	5.249	21.831	.000 ^b
Residual	19.716	82	.240		
Total	51.210	88			

a. Dependent Variable: Competitive advantage

b. Predictors: (Constant), Use of technology, Accessibility and convenience, Superior customer service, Image/ Reputation, Competitive staff, Product differentiation

Source: SPSS output of Field survey (2018/2019)

In conclusion, there is a statistically significant effect of banks competitive advantage determinants (product differentiation, superior customer service, competitive staff, image/reputation, accessibility & convenience, use of technology) and competitive advantage. Thus, the null hypothesis will be rejected and the alternative hypothesis is substantiated, which means that there is a statistically significant effect for determinants on the competitive advantage.

The other part of multiple regression analysis is about testing the effect of each predictor included in the model on the dependent variable. The value of standardized beta coefficient can identify the most and least determinants that affects the bank competitive advantage.

Testing of the hypothesis

To test the hypotheses of the multiple regression analysis we should use the general guideline as decision rule (Gujarati, 2004). The general decision rules test of hypothesis:

NULL (H₀): PD, SCS, CS, IOR, ACC & UTECH has not significant effect on COMPADVA;

ALT (H₁): PD, SCS, CS, IOR, ACC & UTECH has significant effect on COMPADVA (Gujarati, 2004).

If $SE(B_1) > 1/2(B_1)$, accept the **H₀**: and can conclude that the estimate $\hat{\beta}_i$ is not statistically significant. If $SE(\hat{\beta}_i) < 1/2\hat{\beta}_i$, reject the **H₀**: and can conclude that the estimate $\hat{\beta}_i$ is statistically significant

Table 4.7 Regression result

Model	Unstandardized Coefficients		Standard ized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-.474	.329		-1.439	.154		
Product differentiation	.172	.082	.194	2.088	.040	.545	1.836
Superior customer service	.192	.081	.206	2.376	.020	.622	1.608
Competitive staff	.203	.089	.207	2.265	.026	.563	1.775
Image/ Reputation	.152	.071	.177	2.146	.035	.692	1.446
Accessibility and convenience	.191	.064	.219	2.990	.004	.874	1.144
Use of technology	.197	.066	.220	3.010	.003	.877	1.141

Source: SPSS output of Field survey (2018/2019)

The standardized beta coefficient indicates the individual contribution of each predictor (independent variable) to the model, if other predictors are held constant. Table 4.7 shows the standardized coefficients for competitive advantage determinants. As shown in the above table, all of the determinants (product differentiation, superior customer service, competitive staff, image/reputation, accessibility & convenience, use of technology) have statistically significant and relatively high beta coefficients (177 to 220) with significant level of (0.003 to 0.040) which is less than (0.05).

In terms of the effect of competitive advantage determinants on banks competitive advantage which depends on the beta value, the (use of technology) has the highest influence on the dependent variable (with beta 22%) which is followed by superior customer service factor with beta 21.9% at level less than 0.05. However, Olmsted and Jamison (2001) carried out an investigative study on the competitive strategies applied by banks in China from 1978 to 1998. The author states that the sector witnessed important players' going in and out, different legal regulations were fulfilled, the structure and intensity of the competition became different, and trade making/differentiation became the most important element of the competition in that period. This result is analyzed and discussed in detail as follows.

Product differentiation

Svatopluk & Ljuba (2006) argue that strategies based on differentiation seek to establish fundamental difference in a variety of dimensions that buyers perceive a marked contrast between product and services of firm and its rivals. They further add that firms that successfully differentiate themselves are rewarded for their uniqueness with a premium price. The uniqueness should also translate to profit margins that are higher than those of competitors. In this regard this paper indicated the following result.

H₀₁: Product differentiation has no significant effect on competitive advantage.

As it shown in table 4.7 above having p value < 0.05, and Beta coefficient of (r=0.172), the multiple regression analysis revealed that:

$$0.082 < 0.172/2, 0.082 < 0.086$$

This implies that, the parameter is statistically significant at 5% level of significance. Therefore, we reject the null hypothesis H₀₁ and accept the alternative hypothesis H₁ that is Product differentiation has significant effect on competitive advantage. Therefore, when the Product differentiation increase by 1(100%), competitive advantage of banks increases by 0.172(17.2%) and when the Product differentiation decreases 1(100%), competitive advantage of banks decreases by 0.172(17.2%).

Many studies have been conducted on differentiation and organizational competitiveness. For instance, Nolega, Oloko Sakataka & Oteki (2015) examined product differentiation strategies and how they affected firm product performance using a case of Kenya Seed Company, Kitale.

The findings showed that the product differentiation strategies employed in the last 10-15 years had improved the performance and competitiveness of Kenya seed company. Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price. It is also stated that competitive advantages are achieved by companies by differentiating products and services from those of their competitors and through low costs. Firms can target their products by a broad target, thereby covering most of the marketplace, or they can focus on a narrow target in the market (Lynch, 2009)

Thus result of this paper supports the finding of Nolega, Oloko Sakataka & Oteki (2015) and Lynch(2009).

Superior customer service

H0₂: Superior customer service has no significant effect on competitive advantage.

As it shown in table 4.6 above having p value < 0.01, and Beta coefficient of (r=0.192), the multiple regression analysis revealed that:

$$0.081 < 0.192/2, 0.081 < 0.096$$

This implies that, the parameter is statistically significant at 5% level of significance. Therefore, we reject the null hypothesis H0₁ and accept the alternative hypothesis H₁ that is Superior customer service has significant effect on competitive advantage. Therefore, when the superior customer service increase by 1(100%), competitive advantage of banks increases by 0.192(19.2%) and when the superior customer service decreases 1(100%), competitive advantage of banks decreases by 0.192(19.2%).

The result of this paper is in line with Omhae (1989) that states as competitive strategy is an attempt to alter a company's strength relative to that of its competitors in the most efficient way and also to mound actions and decisions of managers and employees in a coordinated, company-wide game plan (Ohmae, 1989).

Competitive staff

H0₃: Competitive staff has no significant effect on competitive advantage.

As it shown in table 4.7 above having p value < 0.01 , and Beta coefficient of ($r=0.203$), the multiple regression analysis revealed that:

$$0.089 < 0.203/2, 0.089 < 0.1015$$

This implies that, the parameter is statistically significant at 5% level of significance. Therefore, we reject the null hypothesis H_{01} and accept the alternative hypothesis H_1 that is competitive staff has significant effect on competitive advantage. Therefore, when the competitive staff increase by 1(100%), competitive advantage of banks increases by 0.203(20.3%) and when the competitive staff decreases 1(100%), competitive advantage of banks decreases by 0.203(20.3%).

Hitt, Ireland and Hoskisson(1997) urged that the resources based view of competitive advantage assumes that each firm is a collection of unique resources and capabilities. These resources and capabilities are source of organizations strategy and competitive advantage. This paper is also in line with this argument. It is in line with the finding of this study.

Image/reputation

H_{04} : Image/reputation has no significant effect on competitive advantage.

The results shown in table 4.7 above below revealed that there is a positive relationship between Image/reputation and effectiveness of internal control ($r = .152$).

The multiple regression analysis confirmed that:

$$0.071 < 0.152/2, 0.071 < 0.076$$

This implies that, the parameter is statistically significant at 5% level of significance. Therefore, we reject the null hypothesis H_{01} and accept the alternative hypothesis H_1 that is image/reputation has significant effect on competitive advantage. Therefore, when the image/reputation increase by 1(100%), competitive advantage of banks increases by 0.152(15.2%) and when the image/reputation decreases 1(100%), competitive advantage of banks decreases by 0.152(15.2%).

Accessibility and convenience

H_{05} : Accessibility and convenience has no significant effect on competitive advantage.

The results shown in table 4.7 above below revealed that there is a positive relationship between accessibility & convenience and competitive advantage ($r = .191$).

The multiple regression analysis confirmed that:

$$0.064 < 0.191/2, 0.064 < 0.0955$$

This implies that, the parameter is statistically significant at 5% level of significance. Therefore, we reject the null hypothesis H_0 and accept the alternative hypothesis H_1 that is accessibility & convenience has significant effect on competitive advantage. Therefore, when the accessibility & convenience increase by 1(100%), competitive advantage of banks increases by 0.191(19.1%) and when the accessibility & convenience decreases 1(100%), competitive advantage of banks decreases by 0.191(19.1%).

This finding is relatively supported by Calem and Nakamura (1998). As cited in Northcott (2004), Calem and Nakamura (1998) argued, branches can decrease the degree of market power exerted in remote locations (relative to a unitary banking model) by increasing the effective size of the geographical market. Branching leads to more uniform pricing across remote and urban locations. They also argued that, “branch banking tends to export competition in dense urban markets to outlying areas. Thus, branch banking tends to increase the effective size of banking markets. This supports the result of the study.

Use of technology

The main factors that influence competitive strength in the banking industry include information technology, service quality and leadership capabilities (Ruckes, 2004). In respect to technology, the result of this study implied as follows.

H_0 : Use of technology has no significant effect on competitive advantage.

The results shown in table 4.7 above below revealed that there is a positive relationship between use of technology and competitive advantage ($r = .197$).

The multiple regression analysis confirmed that:

$$0.066 < 0.197/2, 0.066 < 0.0985$$

This implies that, the parameter is statistically significant at 5% level of significance. Therefore, we reject the null hypothesis H_0 and accept the alternative hypothesis H_1 that is use of technology has significant effect on competitive advantage. Therefore, when the use of technology increase by 1(100%), competitive advantage of banks increases by 0.197(19.7%) and when the use of technology decreases 1(100%), competitive advantage of banks decreases by 0.197(19.7%). The following supports the finding of this paper.

The survival of an enterprise depends on how to improve their technological innovation capability. Based on reform processes and intensified competition, companies search for emergent innovation models to gain competitive advantage and to increase their performance. The implementation of such new models requires decisions on strategy and execution from the company's management (Porter, 1996). Strategy is about performing different activities from those of rival companies or performing similar activities in different ways. Strategy always involves risk, because there's uncertainty about consumer behavior, competition, and technological change (Rosenberg & Schewe, 1985).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 INTRODUCTION

Under this chapter the summary of findings and conclusion was forming the basis on which the recommendation would be made. The recommendation would suggest other types of competitive advantage that branch banks in Worabe town can use to have an edge and what factor they may need to consider. This chapter would also identified limitations of this paper and make suggestion for further research based on the knowledge gap identified.

5.2 Summary of Findings

From the study, the following summaries of findings were made.

The average mean ranged from 3.10 (accessibility and convenience) to 3.37 (competitive staff) which means that the respondents had positive response towards the constructs being measured. In addition, the standard deviation for the constructs was ranged between 0.763 and 0.886 which indicate a narrow spread around the mean.

On the use of the strategies in gaining competitive advantage in the market, the study found that banks use product differentiation (Mean score 3.23), superior customer service to suit different customer needs (Mean score 3.27), competitive staff (mean value of 3.37), image or reputation (with mean value of 3.34) accessibility and convenience (with mean score of 3.10 and use of technology (with mean value of 3.16).

According to the multiple regression analysis tables, the multiple correlation coefficient $R = 0.784$ indicates that there is a strong positive correlation between determinates (product differentiation, superior customer service, competitive staff, image/reputation, accessibility & convenience, use of technology) and competitive advantage of banks. This means that the independent variables and dependent variable change in the same direction.

The other part of multiple regression analysis is about testing the effect of each predictor included in the model on the dependent variable. The value of standardized beta coefficient can identify the most and least factor of variables that affects the competitive advantage.

Based on the result, all six of the null hypotheses are rejected and their alternative hypotheses are accepted, because the significance level is less than 0.05. This indicates that there is a statistically significant effect of product differentiation, superior customer service, competitive staff, image/reputation, access and convenience and use of technology on the competitive advantage in commercial banks.

5.3 Conclusion

This research is an empirical study on the pattern of determinants on competitive advantage in commercial banks of Ethiopia in recent years. The multiple regression model checked by several critical assumptions like multicollinearity test, normality test, homoscedasticity test and Durbin Watson autocorrelation test and it was an appropriate. The correlation analysis also showed the interrelationship between independent variables and the dependent variable which is competitive advantage, showed the positive relationship between. The fit of model was checked through the analysis of R, R square and Adjusted R square which indicated how the predictive power of the model. The ANOVA result showed the statistical significance of the regression that is sig 0.000 less than p value 0.005. Based on the results of research, the key determinants that affect the competitive advantage were product differentiation, superior customer service, competitive staff, image/reputation, access & convenience and use of technology.

5.4 Recommendations

Based on the findings and conclusions of the study, the researcher forwards the following recommendations to the management of the banks and concerned body also suggestion for other researchers.

One way of addressing this could be by treating customers with great respect, flexible understanding what customer need. This is to say, the bank management should focus on this factor to maximize competitive advantage. Moreover it is recommended that:

- ✓ Commercial banks should work hard with product differentiation strategies that would make them more competitive.
- ✓ The commercial banks need to develop policies that would ensure that their human resources are continuously improved through training and exposure to more challenging situations. This would be achieved through institution of relevant training programs, sponsorship of employees to access higher education in colleges and other academic institutions and rotation of employees within the

various functions of the banks in a bid to create all rounded workers who understand the various aspects of commercial banking.

- ✓ The commercial banks are expected to develop policies that guide their technological investments. This will ensure that they do not invest in technological assets that might end up being obsolete before delivering the envisioned benefits. In addition, there is need to invest in robust and aggressive research and development functions so that the commercial banks are in tandem with the changes in the business environment mostly in terms of technological developments.
- ✓ There is need for commercial banks to come up with policies that will ensure that their products and services are of uncompromised quality by adhering to laid down standards and regulations from the Central Bank of Ethiopia. By so doing, the commercial banks will minimize customer complaints and possible ligations that might dent their public image.
- ✓ Strong exploitation of potential variables is very important to bring reasonable solutions thereby improving the competitiveness in commercial banks in Ethiopia in the coming time.

5.5 Limitations and Suggested Areas for Further Research

This study was conducted to examine the determinants of competitive advantage of banks in Worabe town. The sample was drawn from only six branch banks, thus this study is limited in town branch banks. So, future research should have to draw sample of respondents on more number of branch banks for the sake generalizing the results of the study.

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APPENDIX
WOLKITE UNIVERSITY
COLLAGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT
MBA PROGRAM

Questionnaire for management and clerical staff

Dear Sir/Madam

The purpose of this questionnaire is to collect primary data for conducting a study on determinants of competitive advantage of banks in Worabe town. In completion of partial fulfillment to completion of the award of masters of business administration at Wolkite University.

You are assured that any information you provide is solely meant for the research and nothing else. Your response to the questions will be kept confidential.

This study is purely for academic purpose and in no ways that affects the respondent's personality. It will be kept confidential. So that, you're genuine view, frank opinion & timely responses are very valuable in determining the success of the study. Therefore you are kindly requested to extend your cooperation honestly by providing relevant information and filling out the following questionnaires that are prepared for this intention.

Alemu Mengie
Tel. +251924394824
E-mail:- alexs21men@gmail.com

Thank You!

General Instructions

No need of writing your name.

.Tick the appropriate box []

Part I Background Information

Please complete this section by ticking the applicable box

1. Level of education: “O” Level Diploma

Degree Masters

Any other (specify)

3. State your current position held at the bank.

Manager Supervisor Auditor Checker

Assistant managers Cashier Maker

4. Number of years worked in the bank

1 – 5years

6 – 10

11 – 15

16 – 20

Above 20

Part II – Information about variables

In the following statements please indicate how you feel the arguments by putting the tick mark () in the column that best indicate your agreement or dis agreement. Strongly agree = 5, agree=4, undecided=3, dis agree=2, strongly dis agree=1

Ref. No.	Description	Strongly agree /5/	Agree /4/	Neutral /3/	Disagree /2/	Strongly disagree /1/
1	Product differentiation					
1.1	Banks diversify in different products making them gain competitive advantage in the market					
1.2	Our bank has introduced new products based on the customers demand					
1.3	We have a diverse products & services that meets our clients' needs					

2	Superior customer service					
2.1	I am confident when serving my clients.					
2.2	We have processes that ensure quality customers services					
2.3	We have a clear process to receive complaints from our customers & to deal with complaints from them					
3	Competitive staff					
3.1	We have good knowledge of the products and services we offer					
3.2	Training and development can boost the engagement of employees.					
3.3	Our employees have the requisite qualification to do their job					
3.4	The branch has a clear career development strategies and advancement opportunities.					
4	Image/ Reputation					
4.1	Our bank's positive image is as a result of planning over the years.					
4.2	Our bank offices are noted for their attractiveness and pleasant environment.					
4.3	Our bank is recognized as the industry's pacesetter in product innovation.					
4.4	Our bank is considered as the all-round best Ethiopian bank.					
5	Accessibility and convenience					
5.1	Customers have easy access to our services					
5.2	customers find it easy to get appointments with our managers					
5.3	Our customers can easily reach us even when the bank is closed					
5.4	Our customers don't wait for too long to get served					
6	Use of technology					
6.1	Level of technology that the bank uses attracts customers.					
6.2	E-banking services of the branch support customers in their daily activities.					

6.3	The technology you are applying now matches with current technology other banks use.					
7	Competitive advantage					
7.1	The branch timely updates its competitive strategies.					
7.2	The branch absorbs ideas to compete better.					
7.3	Potential core competency areas are better identified					
7.4	The branch access both internal and external working environment continuously.					
7.5	Teamwork of the internal staff has given an attention.					
7.6	The working status of each employee has large contribution for competition.					