



ST.MARY'S UNIVERSITY

SCHOOL OF GRADUATE STUDIES

**ASSESSMENT OF COMPETITIVE STRATEGY FORMULATION AND
IMPLEMENTATION PRACTICES OF PRIVATE BANK IN ETHIOPIA:**

THE CASE OF UNITED BANK S.C

BY

ELISABETH TESHOME GEBREMEDHIN

DECEMBER, 2021

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**A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE
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ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
MBA PROGRAM

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BY
ELIZABETH TESHOME

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of my advisor, Tiruneh Legesse (Asst. Professor). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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December.2021

ENDORSEMENT

This thesis has been submitted to St. Mary's university, School of Graduate studies for examination with my approval as a university advisor.

Advisor

St. Mary's University, Addis Ababa

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December, 2021

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Acronyms

SWOT	Strength, Weakness, Opportunity and Threat
SPSS	Statistical Package for Social Scientists
GCB	Ghana commercial Bank Limited
I/O	Industrial Organization
NBE	National Bank of Ethiopia
RBV	Resource Based View
R&D	Research and Development
S.C	Share Company
UB	United Bank S.C
SD	Standard deviation
EPS	Earning per share
CBE	Commercial Bank of Ethiopia

ABSTRACT

After the establishment of private banks in the Ethiopia, the industry has been facing stiff competition necessitating the designs of competitive strategies to guarantee and enable them become superior performers in their industry. The purpose of this study was to examine competitive strategy formulation and implementation practices of private banks in Ethiopia the case of United Bank S.C. The study used descriptive survey design as it sought to describe data and analysed using statistics based on summarized comparisons using percentages, ratios with the help of a computational software SPSS. Non probability sampling which is called judgmental or purposive sampling technique was applied. The target population for this study was 90 respondents from employees of United Bank, 80 managerial and 10 non-managerial staffs. While selection, adequate knowledge of respondents have been focused. The research used a structured questionnaire and interview instruments to collect primary data. The research also used secondary source documents in reviewing the actual performance of the bank under study company profile, annual reports, newsletters and internal records of the bank. The findings of this study indicate that United Bank under study are facing challenges due to competition and the bank applied combined competitive strategies of cost leadership, differentiation and focus strategies to mitigate the challenge. The study also found out that competitive and economic factors are main external factors whereas unethical move and loss of skilled employees to competitors, financial resource factors and technological factors are main internal factors that have significant influence on the bank's decision on formulation and selection of its competitive strategies. Based on these conclusions of the study, the researcher recommended that the government should come up with policies that would ensure that the challenges facing private banks in the maintenance of demand are addressed, United Bank has been applying mixed competitive strategies the bank need to be flexible, reduce high cost which is associated with office rent, there is unfair competition among banks so NBE should have strong control the application of code of conduct and ethics of the banking.

Keywords: *Genetic strategies, Implementation and Formulation*

CHAPTER ONE

1.1 Background of the Study

Competitive Strategy is defined as the long term plan of a particular company in order to gain competitive advantage over its competitors in the industry. It is aimed at creating defensive position in an industry and generating a superior ROI (Return on Investment). According to Porter (1980) saw competitive strategies from two viewpoints; supply side key degree; and a demand side point of view. After some times he streamlined the plan into three nonspecific techniques, in particular, overall cost leadership, differentiation and focus. He further argues that strategy involves deliberately choosing a different set of activities or competitive strategies to deliver a unique mix of values to the organization. Sidorwicz (2007) then again observes competitive strategies as more aptitude based and including vital considering, advancement, execution, basic considering, situating and the craft of warfare.

The operating environment for businesses has become more and more competitive as firms strive to outperform each other. In order to remain competitive, firms need to devise strategies that will help them build competitive advantage which they can then seek to sustain David, FR, (2011). Competitive strategy as defined by Porters (1996) is the search by firms to exclusively find favourable business competitive position in an industry. Competitive strategy is a quest for superior performance through establishing competitive advantage over rival firms. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors Mintzberg, H (1978). A competitive advantage becomes strategic to a firm when the firm recognizes its competitive advantage, and then uses it as a wedge and strategy for generating more revenues and profits within the industry it competes in. Banking industry is one of the forms of business enterprises in which cut throat competition thrives. Allen and Helms (2006)

The business of banking is an intermediary financial service business that undertakes to engage in dealing with others money. The business of banking, in its widest sense, is to collect in capital resources that is either money or can readily be turned into money, and upon the capital so collected, to build up by proper management and machinery the credit which will extend and enlarge the usefulness to the community of its actual money capital. Banks are constituted to make capital circulate, not to lock it up Berget, AN (1995). Thus, banks are financial intermediaries that mobilize, allocate and invest the greatest part of the financial

resources collected in the form of savings. Accordingly, their performance has substantial consequences on capital allocation, firm expansion, industrial growth and economic development.

Evaluating banks overall performance and monitoring their financial condition in the current competitive and challenging environment and the need to assess efficiency is an important aspect for the banks to sustain a competitive advantage. This is important to depositors, shareholders, potential investors, managers and regulators. If financial institutions become more efficient, then profitability might be improved, greater amounts of funds might be intermediated, better prices, better service quality for consumers, greater safety and soundness, better returns to shareholders and improvement of the overall country's economy, because it forms a major source of the country's savings.(Lawrence Awuah (2011)

Then David, FR (2003) indicates that there are three levels of strategies. These are corporate level strategy, business level strategy, and functional level strategy. Corporate strategy describes a company's overall direction in terms of its general attitude toward growth and the management of its various businesses and product lines. Business Strategy usually occurs at the business unit or product level, and it emphasizes improvement in the competitive position of a corporation's products or services in the specific industry or market segment served by that business unit. Functional Strategy is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity.

A competitive strategy is a broad-based formula describes the direction on how a business is to compete, what its goals should be, and what plans and policies will be required to achieve those goals. Through competitive strategy, an organization seeks a competitive advantage in the industry in terms of cost, quality, or speed measures. So, competitive strategy would not only design for reactive measures to the environment but also attempts to take proactive or shape the environment in its favour. Therefore, strategist must seek to position his or her firm to take competitive advantage within the industry though developing necessary strategies (Porter, 1985). A quick reply against the impacts on firm will make the firm to take any of competitive advantage against rivals (Barney, 1997).

1.1.1 United Bank SC

United Bank was incorporated as a Share Company on 10 September 1998 in accordance with the Commercial Code of Ethiopia of 1960 and the Licensing and Supervision of Banking Business Proclamation No. 84/1994. The Bank obtained a banking services license from the National Bank of Ethiopia and is registered with the Trade, Industry and Tourism Bureau of the Addis Ababa City Administration. Following the approval of Monetary and Banking proclamation No 83/1994 and the Licensing and Supervision of Banking Business No 84/1994, United Bank was the 5th private bank to join banking industry in Ethiopian.

Today, United Bank is a full service Bank that offers its customers a wide range of commercial banking services with a network of 395 branches and out of which 290 are located in Addis Ababa and the other 99 branches are in major towns of the country. It is also mentioned that every effort has been made by the bank to open these branches in strategic areas. Accordingly, most branches are situated in business areas and are convenient to customers.

United Bank's Vision is to be "The Preferred Bank" in the banking industry of Ethiopia. The Bank's Mission is to render Quality Commercial Banking Services to the best satisfaction of its Customers; to enhance Shareholders' value; to be one of the best employers in the industry; and, to discharge its corporate responsibility to both the community in which it operates and the environment which it shares with the world. United Bank is grounded with a corporate philosophy that incorporates the under mentioned values which it stands for by: The customers are United Bank's lifeline. United Bank invests in its employees and dignifies them; United Bank strives to excel in its business and is committed to quality; United Bank is a responsible corporate citizen; United Bank works towards profitability and growth; United Bank values Honesty, Integrity and Loyalty; United Bank lives its values. United Bank's priority in the coming years is to strengthen its capital base, one of top 5 banks in East Africa by the year 2030.

1.2. Statement of the Problem

There has been an increase in the number of commercial banks in Ethiopia banking industry currently 17 private banks registered by the National Bank of Ethiopia. The private commercial banks in Ethiopia are experiencing increased competition since the last few years mainly resulting from increased new entrants into the market and their extensive branch

expansions (Zerayehu, Kagneu & Teshome 2013). The linkage of competitive obsession and/or excessive competitiveness to performance impacts on the banking industry.

Over the last few years the banking industry has been faced different forms of competition as a result of technological advancement, strategy differentiations on product, service, human resource, pay structure and deposit and foreign currency mobilization and other complexities within the environment. Although Ethiopian banking industry shows aggressive branches expansion with few of new product/service/ differentiation, aggressive promotional activities, and extending of service hours by certain banks, there are no clearly identified standard strategies that make them differ from each other.

They are following similar technology service, the same customer service management, similar human resource management, similar reward and compensation programs, similar loan provision and processes, similar interest rate, the same import and export /international/ banking service, similar money transfer service, and similar domestic banking service and so on. And the same time, there are some challenging factors that might affect them in formulations and implementations of competitive strategies like country rules and regulations, lack of well standardized technologies, skilled manpower, infrastructure, attitude towards saving, absence of international banks in the country with high demands of banking service by communities in Ethiopia, shortage of foreign currency and so on. This situation leads the banking industry to more intense competition.

Given the above points as well as the existing stiff competition in the banking industry in Ethiopia, lack of researches conducted in the areas of competitive strategic. The researcher intends to bridge this gap by carrying out a survey that will motivate the researcher to do a research on the given topic in a given industry to provide conclusions and recommendations the findings obtained.

1.3. Research Questions

The research questions below were that formed the focal point of the work follow from the research objectives below:

1. What are the competitive strategies put in place by United Bank in response to the competitive environment?
2. To what extent the current strategies being adopted by United Bank enabled it to achieve competitive advantage in the industry?
3. What are external factors that influenced the choice of competitive strategies at the United Bank?
4. What are internal factors that influence the choice of competitive strategies at the United Bank?
5. What are the challenges faced by United Bank in implementing the competitive strategies?

1.4. Objectives of the Study

1.4.1 General Objective

The general objective of the study is to examine the competitive strategy formulation and implementation practices of private bank in Ethiopia in general and of united bank in particular to survive and to gain competitive advantage in the industry.

1.4.2 Specific Objectives

Specifically; the study would have the following specific objectives;

1. To identify competitive strategies adopted by United Bank and in response to the competitive environment,
2. To assess the extent to which the current strategies being adopted by United Bank enabled it to gain competitive advantage in the banking industry in Ethiopia.
3. To identify external factors that influence the choice of competitive strategies of United Bank;
4. To identify internal factors that influence the choice of competitive strategies of United Bank
5. To determine the challenges United Bank face in implementing the competitive strategies.

1.5. Significance of the Study

The result of study showed strength and weakness on strategy formulation and implementation practices of United Bank S.C. It also indicated that to what extent the pursued strategies are capable to cope with the competition and identified important factors (external/internal) that influence selection of strategy. And hence top management of the bank could use this opportunity to understand the prevailing situations and to take appropriate remedial actions base on the recommendations given by the researcher.

The study might also benefit the concerned regulatory bodies like National Bank of Ethiopia (NBE) to recognize the current competitive strategies being practiced by private commercial banks and to prepare or revise the related directives to make the banking industry more functional. At the same time, other stakeholder; customer, employees, shareholder, and so on can use the results.

The research would also be of help to future scholars who would be interested in researching on the same area since it would act as a point of reference for other academicians or researchers who need to conduct study on the same research topic.

1.6. Scope of the study

The study focuses on assessment of competitive strategies formulation and implementation practices of United Bank S.C. Since the external environment and the regulation issued by the National Bank of Ethiopian and the forces that prevail in the banking industry are equally applicable to all private banks, the result to be obtained from this study will also represent other private banks operating in the country. The research was limited to head office managerial and non-managerial professional staffs and some selected manager of the bank's branches located in Addis Ababa. The main focus of the study were management staffs (executive managements department managers, branch managers) and non-management staffs (professional officers from different head quarter departments -corporate planning department, marketing and promotion department, human resource department, credit department and trade finance/international banking department. The depth of the study was heavily depending on the availability of data and the integrity of the respective bodies in providing the required data.

1.7. Organization of the Study

The rest four chapters are organized as follow:

Chapter two of this thesis had literature review, empirical, and conceptual parts. The first discussed with the theoretical concepts of resource-based view. Second part focused on recent literature in the area. The last part looked in conceptual framework of integrating the above two. Chapter three described the research design and approach, methodology, sources of data, the data collection methodology, methods of data analysis. Chapter four provided the substance of my own contribution, the actual data collected analysis. The analysis of the collected data was discussed and findings were interpreted. The fifth and last chapter of this thesis provided findings, conclusions, recommendations and limitations and suggested areas for further research are discussed.

CHAPTER TWO

2. LITERATURE REVIEW

This chapter covered the literature review of existing literature related to this study. It reviews papers that are theoretically, empirically and conceptual parts which review the concept of competition, competitive strategies and nature of competition in the banking industry.

2.1 Theoretical Literature

2.1.1 Concept of Strategy

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" is derived from the Greek word "stratēgos" stratus (meaning army) and "ago" (meaning leading/moving).

Strategy is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process. According to Thomson (1990), 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. 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.

2.1.2 Competitive Rivalry

Competitive rivalry is a measure of the extent of competition among existing firms. Intense rivalry can limit profits and lead to competitive moves, including price cutting, increased advertising expenditures, or spending on service/product improvements and innovation. Competitive rivalry in an industry plays an important role in determining the strategies developed by an organization (Bracker, J. 1980). In order for an organization to be competitive, it has to consider the reaction of a competitor whenever developing their strategies to ensure that their strategies yield the indeed return.

There are many factors, both internal and external, that can impact a company's success in the marketplace. Competitive rivalry is an external force that has some advantages and some disadvantages for organizations in that specific field. Some competitive rivalry is often healthy for all businesses involved, as it encourages product and service innovation and discourages unnecessary price increases for customers. However, excessive competitive rivalry can pose challenges to some companies. Competitive rivalries exist for a number of reasons. These factors can influence the existence and intensity of a competitive rivalry. (Pearce and Robinson, 2000)

2.1.3 Michael Porter's Generic Competitive Strategies

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage.

Michael Porter, the world famous strategist, suggested four "generic" business strategies that could be adopted by firms in order to gain competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. (Porter, 1980)

Cost Leadership Strategy:

As a low cost leader, an organization can present entry barriers against new market entrants who would need large amounts of capital to enter the market. The leader then is somewhat insulated from industry wide price reductions (Porter, 1980). A firm may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. If a firm can achieve and sustain overall cost leadership, then it will be an above average performer in its industry, provided it can command prices at or near the industry average.

Differentiation Strategy:

A differentiation strategy is the approach businesses use to attract and keep customers by giving them a unique product or service. The main goal of this strategy is to attain a

competitive advantage. Businesses do a SWOT (strength, weaknesses, opportunities and threats) analysis and understand their customers' needs to arrive at this differentiation.

When using this strategy, a company focuses its effort on differentiating the product or service offering, tailoring the product or service to the needs of the customer, creating something that is perceived industry wide as being unique, thus permitting the company to command higher than average prices and capture market share. A differentiation strategy does not allow a firm to ignore costs but rather they are not the primary strategic target (Porter, 1980). A firm that can achieve and sustain differentiation becomes the above average performer in an industry if its price premium exceeds the extra cost incurred in being unique. This type of company addresses many market segments in an industry. Differentiation is driven by uniqueness. Customers are willing to pay a premium price for the added unique values of the products. A firm's uniqueness in a value activity is determined by a series of basic drivers which are the underlying reasons why an activity is unique and without which a firm cannot fully develop means of creating new forms of differentiation or diagnose how sustainable the existing differentiation is (Porter, 1996). There are many sources of differentiation a firm can utilize. Developing a unique design or brand image, tailoring and customizing products, creativity, product engineering, customer services, and marketing abilities can all form a foundation for a differentiation strategy.

Focus Strategy

A focus strategy is a method of developing, marketing and selling products to a niche market, which could be a type of consumer, product line or geographical area. A focus strategy would centre on the expansion of marketing tactics for a company while aiming to establish a new relationship with your target audience (Porter, 1998). Although the low cost and differentiation strategies are aimed at achieving their objectives industry wide, the entire focus strategy is built around serving a particular target very well, and each functional policy is developed with this in mind. The strategy rests on the premise that the company is thus able to serve its narrow strategic target more effectively or efficiently than competitors who are compete more broadly.

Focus strategy has two variants- cost focus and differentiation focus. Cost focus aims at achieving cost advantage while differentiation focus is about seeking differentiation in a target segment. Cost focus exploits differences in cost behaviour in some segments, while

differentiation focus exploits the special needs of buyers in certain segments Wheelen, T.L. and Hunger, J.D. (1998). Even though the focus strategy does not achieve low cost or differentiation from the perspective of the market as a whole, it does achieve one or both of these positions vis-a-vis narrow market target. The firm achieving focus may also potentially earn above-average returns for its industry. Its focus means that the firm either has a low cost position with its strategic target, high differentiation, or both. Small companies, the better ones, usually thrive because they serve narrow market niches. Market focus allows these businesses to compete on the basis of low cost, differentiation and rapid response against much larger businesses with greater resources because focus lets a business learn its target customers, their needs, special considerations they want accommodated and establish personal relationships in ways that differentiate the smaller firm or make it more valuable to the target customer (Pearce and Robinson, 2005). Focus may also be used to select targets least vulnerable to substitutes or where competitors are the weakest.

The three generic strategies represent three broad types of strategic groups, and thus the choice of strategy can be viewed as the choice of which strategic group to compete in Duncan, Ginter and Swayne, (1998). If the firm is failing to develop its strategy in at least one of the three directions—a firm that is stuck in the middle is in an extremely poor strategic situation. This firm lacks the market share, capital investment, and resolves to play the low-cost game, the industry wide differentiation necessary to obviate the need for a low cost position, or the focus to create differentiation or a low-cost position in a more limited sphere. The firm that is stuck in the middle is almost guaranteed low profitability David, F.R (2011). It either loses the high-volume customers who demand low prices or must bid away its profits to get this business away from low-cost firms. Yet it also loses high-margin businesses—the cream—to the firms who are focused on high-margin targets or have achieved differentiation overall. The firm stuck in the middle also probably suffers from a blurred corporate culture and a conflicting set of organizational arrangements and motivation system.

2.1.4 Porter's Five Forces

Porter's Five Forces is a business analysis model that helps to explain why various industries are able to sustain different levels of profitability. Porter identified five undeniable forces that play a part in shaping every market and industry in the world. Porter's Five Forces is a framework for analysing a company's competitive environment. The model distinguishes five major forces that could jeopardize a company's position in a given industry. Although

the details of the model vary from one industry to another, its general structure is universal. The five major forces can be generalized as follows. (Porter, 1980)

2.1.4.1 The threat of new entrant

Profitable markets attract new entrants, which erodes profitability. The less time and money it costs for a competitor to enter a company's market and be an effective competitor, the more an established company's position could be significantly weakened. An industry with strong barriers to entry is ideal for existing companies within that industry since the company would be able to charge higher prices and negotiate better terms. Hamel & Prahalad (2002).)

2.1.4.2 Power of supply

The next factor in the five forces model addresses how easily suppliers can drive up the cost of inputs. It is affected by the number of suppliers of key inputs of a good or service, how unique these inputs are, and how much it would cost a company to switch to another supplier. The fewer suppliers to an industry, the more a company would depend on a supplier. As a result, the supplier has more power and can drive up input costs and push for other advantages in trade. On the other hand, when there are many suppliers or low switching costs between rival suppliers, a company can keep its input costs lower and enhance its profits. (Porter, 1980)

2.1.4.3 Power of customer

The ability that customers have to drive prices lower or their level of power is one of the five forces. It is affected by how many buyers or customers a company has, how significant each customer is, and how much it would cost a company to find new customers or markets for its output. A smaller and more powerful client base means that each customer has more power to negotiate for lower prices and better deals. A company that has many, smaller, independent customers will have an easier time charging higher prices to increase profitability. Duncan, Ginter and Swayne, (1998)

2.1.4.4 The Rivalry among Existing Firms

This force is usually the most powerful of the five competitive forces. The strategies pursued by a firm can be successful only to the extent that they provide competitive advantage over the strategies pursued by rival firms. Changes in strategy by one firm may be met with retaliatory countermoves, such as lowering prices, enhancing quality, adding features, providing services, extending warranties, and increasing advertising. Kim, Nam and Stimpert, (2004).

2.1.4.5 Threat of Substitute

Alternative approaches to satisfying the customer's needs, market structure of the industry through the substitution of products or services. Substitute goods or services that can be used in place of a company's products or services pose a threat. Companies that produce goods or services for which there are no close substitutes will have more power to increase prices and lock in favourable terms. When close substitutes are available, customers will have the option to forgo buying a company's product, and a company's power can be weakened. (Porter, 1980)

2.1.5 Environmental Scanning

The environment is always changing, and this is just as true for the business environment as it is for the physical world around. Environmental scanning is a high-level, broad-based process of gathering, analyzing, and dispensing information for purpose of developing strategies or tactics. The process entails getting both factual data and qualitative opinions. Organizations also scan when they are considering whether to enter a particular industry. (Ray Lester 1989)

2.1.5.1 External Environment

Hunger and Wheelen (1998) External environmental factors play an important part when the business strategy is being formulated and implemented. The external environment in which an organization operates on present opportunities that should be harnessed and threats that should be eluded. An external environment is composed of all the outside factors or influences that impact the operation of business. The business must act or react to keep up its flow of operations. A commonly used management tool is called PESTEL. PESTEL is an

organizing framework that allows decision makers to understand and make connections with a mass of information. Thompson & Martin (2005)

Political

Political issues are a function of how much the government intrudes or is involved in an organization's operations. In particular, it looks at taxation and tariffs, regulations, political stability, and elections. Organizations adjust their strategies depending on the current situation. Allen and Helms (2006)

Economic

These are growth, employment, inflation, and interest rates. Companies with foreign operations will worry about exchange rates. These factors are important in long-range forecasts for revenue and expenses. Businesses in the financial industry may pull back from aggressive strategies in times of rising interest rates. Levels of disposable income of customers and businesses part of the economic factors have a huge impact on how businesses perform. Santos (2012)

Social

Society and culture have great impacts on the business environment. These factors include demographics like population growth, age distribution, and attitudes toward safety and health consciousness. They have a direct effect on business because they mostly determine the drivers of buyers. Barney, J.B (1997),

Technological

The rate of technological change in the business environment is staggering. Technological forces represent major opportunities and threats that must be considered in formulating strategies. Technological advancements can dramatically affect firms' products, services, markets, suppliers, distributors, competitors, customers, manufacturing processes, marketing practices, and competitive position. Mintzberg, H., (1978)

Environmental

Weather, climate change, air quality, and natural disasters are all environmental factors. Some industries are especially at risk from changes in the natural environment, including manufacturing, agriculture, tourism and travel, and sports and entertainment. Many pollution regulations limiting water and air pollution have been passed that affect the operation of businesses. Recycling procedures and waste disposal are also key environmental factors. Mintzberg (1978)

Legal

Legal factors include discrimination laws, consumer protection laws, and employment, health, and safety policies. In order for organizations to trade successfully, they need to what is regarded legal especially when entering new markets. Johnson. & Scholes, (1999)

2.1.5.2 Internal Factor

Internal factors are firm's strengths and weaknesses. External factors are the threats and opportunities. SWOT analysis is a method for identifying and analysing internal strengths and weaknesses and external opportunities and threats that shape current and future operations and help develop strategic goals. SWOT analyses are not limited to companies. Strengths are internal factors that will help the organization be successful David (2011). They can include employees, procedures; business assets and products. The opposite of an organization's strengths are its internal weaknesses. Managers carefully review such strengths, weaknesses, opportunities and threats, a useful strategy for ensuring organizational success will become evident to them.

2.1.6 Strategy Formulation

Strategy formulation is as much an art as it is a science. In fact, it is the art of strategy formulation that drives fast growth and catapults a firm into newer horizons. Leaders should develop skills and capabilities to sense early opportunities and be quick in making strategic moves. Strategy Formulation seeks to set the long-term goals that help a firm exploit its strengths fully and the opportunities that are present in the environment. (Gevorkyan, 2015)

2.1.7 Strategy implementation and Evaluation

Organizational strategies are constantly reviewed and revised. As the internal and external environments of an organization change, so should the company strategy to aid in the survival and growth of an organization. A standard process to evaluate the effectiveness of an organizational strategy is therefore essential. It ensures that the organization is on the right path and is constantly adapting in a dynamic market. Wheelen & Hunger (1998)

Strategy evaluation is the process by which the management assesses how well a chosen strategy has been implemented and how successful or otherwise the strategy is. To simply put, strategy evaluation entails reviewing and appraising the strategy implementation process and measuring organizational performance. Strategy evaluation operates at two levels; strategic and operational. At the strategic level, the focus is given to the consistency of the strategy with the environment, and at the operational level, how well the organization is pursuing the strategy is assessed. Pearce & Robinson (2000)

The standards of performance set will serve as the benchmark against which the actual performance will be evaluated. Based on these standards, managers should decide how to measure the performance and how often to do so.

Performance results are generally periodic measurements of developments that occur during a given time period like return on investment, profits after taxes, earnings per share and market share. Current performance results are compared with the current objectives and with that of the previous year's performance results Porter, M.E. (1985). If the results are equal to or greater than the current objectives and past year's results, the company will mostly continue with the current strategy otherwise, the strategy formulation process begins in earnest.

The strategic managers must evaluate the mission, objectives and policies. In fact, the strategic managers are evaluated in terms of management style, values and skills by the top management. Corporation's objectives and strategies are strongly affected by top management's view of the world. This view determines the mode to be used in strategy formulation. Wheelen & Hunger (1998)

2.1.8 Competition in banking

As a first-order effect, expect increased competition in the financial sector to lead to lower costs and enhanced efficiency, even allowing for the fact that financial products are heterogeneous. In a theoretical model, Besanko, Dranove, and Shanley (2000) analyze the allocation consequences of a relaxing of entry barriers and find that equilibrium loan rates decline and on deposit interest rates increase, even when allowing for differentiated competition. As several recent research has highlighted, the relationships between competition and banking system performance, access to financing, stability and growth are, however, more complex (for a recent review of the theoretical literature on competition and banking, see Chege, B. K. (2008). Market power in banking, for up to a degree is beneficial for access to financing.

The literature on competition divides competition measurement into two main streams. The first group called structural approach that uses information on a structural characteristic of the market. Some example of structural information is market shares, number of firms, the barrier to entry, and concentration of the market. On the other side, there is a non-structural measurement that does not use any information on the market structure rather directly measure the competition itself. Some example of non-structural approach is the Lerner index, Parnell, J.A. (1997).

In a dynamic world, a bank and borrower establish relationships to overcome information problems. The higher its market power, the more likely the bank invests in information gathering about firms, especially to information ally opaque firms, and the more likely it provides credit Kim, Nam and Stimpert, (2004).. More competition can then undermine the incentives of banks to invest in a relationship. But the relationship involves sunk costs and leads to a hold-up problem the incumbent bank have more information about the borrower than its competitors. This increases the switching costs for the borrower, especially for better quality borrowers since they will face adverse conditions when trying to look for financing from another bank, as they will be perceived as a poor credit.

Borrowers will be less willing to enter a relationship with a bank if they are less likely subject to a hold-up problem, for example, when the market for external financing is more competitive. The net effect of these problems can vary with the overall competitive environment. Boot and Berger, A. N. (1995), for example, show that increased interbank

competition may induce banks to make not less, but more relationship loans. There can also be effects from the type of information problem on the scope for potential competition.

2.2 Empirical Review

Lawrence Awuah (2011) has examined that the competitive strategies being pursued by Ghana Commercial Bank Limited to achieve competitive advantage in the banking industry of Ghana. The result of the study showed that GCB limited has used cost leadership strategy and the main sources of the Bank's competitive advantage were being its large geographical spread of branches and low charges for the range of services rendered to the public and enjoys economy of scale resulting in a large customer base. The author found out that management plays the lead role in strategic thinking, planning, decision making and ultimate implementation of policies and strategies. Unfortunately, some banks are perceived to have management structures that overly limit the authority to make long obviously compromises the richness and diversity of the banks; strategic planning agenda to the determinant performance.

Chege, B. K. (2008) studies how the degree of market power affects both bank efficiency and financial stability in the banking sector for a group of emerging economies her main results indicate that increased market power results in greater bank stability, although with a significant loss in cost efficiency. In Hlavacka., Bacharova, Rusnakova, and Wagner,. (2001) examined the impact of generic competitive strategies on organizational performance and established significant positive effects of the three competitive strategies cost leadership, differentiation and focus strategies on performance.

George, Isaac & Thomas (2014), studied product differentiation as a tool of competitive advantage and optimal organizational performance using a study of Unilever Nigeria plc. The study concentrated on product differentiation as a tool of competitive advantage on the organizational differentiation has positive and significant influence on organizational performance of Unilever Nigeria plc.

Mintzberg, H., (1978) have conducted the research and the research identifies five strategic attributes that could assist organizations to grow their businesses and enhance their returns. It reveals that all Porters' generic competitive strategies are significantly related to organizational financial performance measures of profitability, sales growth and customer

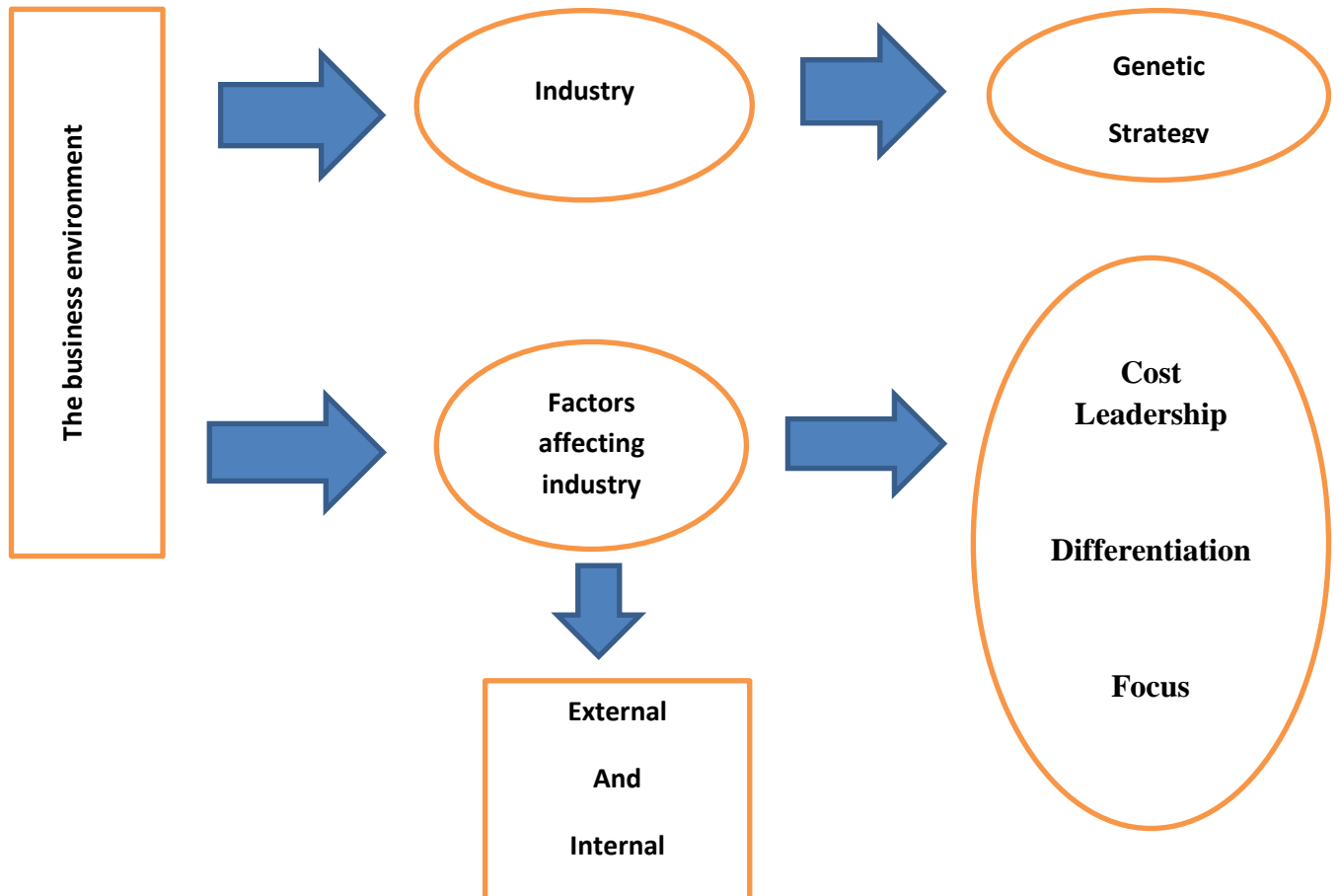
satisfaction except focus strategy. The research found that three generic competitive strategies are positively related to non-financial performance and that differentiation and cost-leadership strategies are capable of assisting organizations' achieve their financial performance goals.

Threatened by the costs emanated from aggressive branch expansion, David, F.R (2011), observed that banks have been moving steadily in developing their offerings electronically, with a long-term vision of reducing branches and services by developing self -service centres. Reducing branches and staff would lower overheads, allowing the banks to become lower-cost providers and enabling them to become more profitable and competitive.

Belayneh Zeleke (2017) found that the commercial banks in Ethiopia are expanding their branches aggressively. The aggressive branch expansion is continuing in the capital city where relatively educated society exists and where better telecommunication network is available. The research found that aggressive branch expansion is advantageous for Commercial Bank of Ethiopia to achieve their financial performance goals.

2.3 Conceptual Framework

The researcher has adapted the conceptual framework is to show the relationship between strategy and firm performance.



Source: own design based on competitive strategy portrayed on the literature review

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This chapter gives details regarding the procedures that used in conducting the study. Pertinent issues discussed the research design, population and sampling design, data types, methods of data collection, data analysis method.

3.1. Research Design

A research design is the plan, structure of investigation conceived to obtain answers to research questions that includes an outline of the research work from hypothesis, methods and procedures for collecting and analysing data and presenting the results in a form that can be understood by all (Mugenda & Mugenda,1999).

This study used descriptive research design to describe the existing implementation of competitive strategies on private banks in Ethiopia. The reasons for the use of case study are to keep the study manageable and to enhance the depth of the study. Descriptive research involves collection of data that describe events and then organizes, tabulates, depicts and describes the collected data (Glass & Hopkins, 1984). To reach on the realities, the researcher applied both qualitative and quantitative research methods. Qualitative research method is used to gain on understand of underling reasons, opinions and motivations. It provides insights into the problem, on the other hand. Quantitative research method is used to quantify the problem by way of generating numerical data or data that can be transformed into useable statistics.

3.2 Population and Sampling Design

According to Diamantopoulos (2004), a population is a group of items that a sample will be drawn from. A sample, on the other hand, refers to a set of individuals/companies/ selected from an identified population with the intent of generalizing the findings to the entire population. A sample is drawn as a result of constraints that make it difficult to cover the entire research population (Leedy and Ormord, 2005). The total population of the research was total employee of United Bank S.C.

3.2.1 Sampling Method and Sampling Size

According to Palys T. (2008), research participants are not always created equally- one well-placed articulate informant will often advance the research far better than any randomly chosen sample. To design, select and determine sample size the researcher has used non probability sampling method (judgmental or purposive). Judgmental or purposive sampling method was used for the reason that every employee of the bank could not have the required level of knowledge on competitive strategies. And hence adequate knowledge of respondents on this study area had been focused.

The study's sample was drawn from managerial staffs both from head office, district and branches and non- managerial expert staffs from different departments from head office. Out of 495 managerial staffs 76 are working at head office, 24 at district and the remaining 395 are managers at branches. Accordingly, 25 managers from HO which represent 32%, 5 district managerial staff from districts which represent 21%, 50 branch managers from Addis Ababa city which represent 13% of the total .And also 10 non managerial experts from heads office staffs which represent 5% of the total 195 clerical staffs who are worked at head office were included. The selection ground applied for all staffs were considering their exposure with strategy formulation task and review of strategy implementation performance of branches' and their level of knowledge about the study area. Generally 90 employees of United Bank were taking. Summary of target population show below table 3.1

Table 3.1 Target Population

	Category	Cluster	Target population	Percent (target/cluster)
Managerial Staff	Director	24	5	21%
	Executive level	35	8	23%
	Middle Class manager	41	17	42%
	line manager	395	50	13%
Non-Managerial	Support Staff	195	10	5%
Total			90	

Source: Own Survey Data (2021).

3.3 Types of Data to be Collected and Used

3.3.1. Primary Sources

For the primary data gathered from respondents through open and close-ended questionnaire developed by the researcher and semi structure interview. The researcher used sample sizes 90 respondents. Furthermore suggest those investigators to use a large sample as much as possible. Since the large sample size have the probability of minimizing the population parameters and increase likelihood of the sample to be true representative of the population. This reduces chance errors (Gupta, et. 2009)

3.3.2. Secondary Sources

Sources for secondary data were collected from the National Bank of Ethiopia and the target United Bank S.C published records, annual reports, and financial reports. Furthermore: relevant laws, directives, regulations policies, books, journals, unpublished materials and reports are reviewed.

3.4 Methods of Data Collection

Primary data collected through standard open and close-ended questionnaire developed by the researcher. Questionnaires are applied usually for descriptive, which identify and describe the variability in different phenomena or explanatory research, which examine and explain relationships between variables (Saunders, Lewis, & Thornhill, 2009). The questionnaire was prepared in line with the objectives of the study mentioned above and it was organized in two sections. The first section was designed to obtain the demographic information of the respondents and the overall the existing customer relationship marketing practice in selected banks. The second section some close-ended questions were collected through Likert-style rating scale. Furthermore, semi-structured and in-depth interview had been conducted with Head, Marketing Development Division Manager, different websites, books, company profile, annual reports, newsletters and special magazines and publications and internal records of the banks.

3.5 Methods of Data Analysis

The data collected through questionnaires has been analysed using simple tabulation technique with the aid of Statistical Package for Social Scientists (SPSS) 20.0 versions software which consists of descriptive statistics-frequency, percentage and mean standard deviation. While doing analysis, researcher used descriptive research analysis method. The researcher judgment also used while analysing data gathered from different sources with the underlined theories and previous empirical results.

3.6 Validity

To insure content validity, questionnaires included variety of questions based on the knowledge of respondents on the topic and majority of questionnaires are completed in the presence of the researcher. This was done to prevent the subjects from giving questionnaires to other people to complete on their behalf.

3.7 Reliability

Reliability can be ensured by minimizing sources of measurement errors like data collector bias. Thus data collector bias was minimized by the researcher being the only one to administer the questionnaires and standardizing conditions like friendliness. So data quality assurance was measured based on its internal validity principle through which instrument validity was used to correct research instrument application that accurately measure the variables during the data collection procedures .

3.8 Ethical Considerations

There were certain ethical protocols that were followed by the researcher. The first was appreciating for their cooperation and time to help the research to get the annual reports and other necessary secondary data of the bank. One other ethical measure exercised by researcher was assuring them that all their bank data kept strictly anonymous and confidential and only used for academic purposes. There were also ethical measures that were followed in the data analysis. To ensure the integrity of data, the researcher checked the accuracy of encoding of the secondary data. This was carried out to ensure that the statistics generated from the study were truthful and verifiable.

CHAPTER FOUR

4. DATA ANALYSIS, RESULTS AND DISCUSSION

This section of the chapter dedicated to discuss the major findings and analysis of the sample population based on the data gathered from the respondents of employees who are working in united Bank S.C. The study objectives were the impact of generic strategies on performance of United Bank. A combination of both quantitative and qualitative techniques was used in data collection. Out of the 96 questionnaires that distributed to the respondents, 90 of them, representing 94% of the questionnaires were returned completed. A number of different analysis were carried out to explore data and to examine existing relationships. The first part of the analysis related to the respondents profile was analysed by employing content analysis. Descriptive analysis on strategies was performed to identify the usage level of each strategy and the priority given by respondents to each strategy by the banks under study. The information obtained from the respondents was summarized by descriptive statistics summary using SPSS version 20.

4.1. Demographic characteristics of respondents

4.1.1. Gender and Age of Respondents

Table 4.1.1 Gender and Age of Respondents

Age	Male		Female	
	Frequency	percent	Frequency	percent
25Years - 34 Years	13.00	0.14	7.00	0.08
35Years - 44 Years	24.00	0.27	14.00	0.16
45 & above	26.00	0.29	6.00	0.07
Total Frequency	63.00		27.00	
Total percent		0.70		0.30

Source: Own Survey Data (2021).

The gender and age distribution of respondents collected via questionnaire is presented in Table 4.1.1. As can be seen on this table 14% male and 7% female of the total numbers of respondent, there age were 25 to 34 years. This could imply that most of the respondents are

old enough to view work environment along with banking industry and competition angel and give reasonably dependable response to the questions. Out of the total respondent 70% were male, this shows that the bank staff composition for management level still dominated by males.

4.1.2 Levels of Education

Table 4.1.2 Levels of Education

Educational Qualifications	Frequency	percent	valid percent	cumulative percent
Master Degree and above	61	68	68	68
1st Degree and above	29	32	32	100
Total	90	100	100	

Source: Own Survey Data (2021)

The above table 4.1.2 revealed that 68% of the respondents have attained education level of Master Degree and 29% of the respondent have Bachelor Degree. By observing the educational background of employees enrolled in the bank, we can deduce that the staffs do have the required skill on the area of generic strategy, strategic formulation and implementation or they can easily fit on the area of strategic management.

4.1.3 Working Experience in the Current Position

The respondents were asked to indicate the period of time they had worked in their current positions. The responses are summarized and presented in table 4.1.3 below.

Table 4.1.3 Cross Tabulation- Work Experience and Position

Years of Experience	Position of the respondent			
	Managerial		Non-Managerial	
	Frequency	percent	Frequency	percent
1 -3 Years	-		2	2
4 - 6 years	1	1	3	3
7 - 9 Years	40	44	4	5
10 - 12 Years	13	14	1	1
13 Years and above	26	29		
Total	80	89	10	11

Source: Own Survey Data (2021)

The above table 4.1.3 show the relationship between demographic characteristics of working experience in the current position of the respondents,

It show that 2% non-managerial had been in their current positions for the period of 1 to 3 years, 1% non-managerial and 3% managerial had been in their current positions for a period of between 4 to 6 years, 44% managerial and 5% non-managerial had been in their current position for a period of 7 to 9 years, 14% managerial and 1% non-managerial had been in their current position 10 to 12 years and 29% managerial for more than 13 years.

The responses show that majority of managerial and non-managerial were working for 7 and above years of experience. This in turn significantly increases the accuracy and reliability of their answers for the questions in the distributed questionnaire.

4.2 Competitive strategies

To withstand the competition in the banking industry, the respondents were requested to show the strategy adopted by their bank as outlined under table 4.2.1 below.

Table 4.2.1 Competitive Strategies

Competitive Strategy	Frequenc	percent	valid percent	cumulative percent
Cost leadership strategy	17	18.8	18.8	18.8
Differentiation strategy	26	28.8	28.8	47.6
Focus strategy	11	12.6	12.6	60.2
Combination strategy	36	39.8	39.8	100
Total	90	100	100	

Source: Own Survey Data (2021)

As presented in the above table 4.2.1 above, the competitive strategies applied by United Bank S.C. accordingly 39.8% of the respondents indicated that combined strategy were applied by their bank, 28.8% of the respondents have indicated differentiation strategy, 18.8% of the respondents indicated cost leadership strategies and other 12.6% also indicated that focus strategy were adopted by their bank. This indication mostly the bank under study uses combination strategy.

Cost leadership strategy

The respondents were also requested the extent to which their bank adopted a cost leader strategy to bit the competition. The possible overall cost leadership strategies applied by private banks under study are listed in table 4.2.2 below.

Table 4.2.2 Variables on cost strategy

Variables on cost leadership	Mean	SD
Keeping lower overheads than the competitors	4.01	1.04
Pricing below the competitors	4.32	0.85
Tight cost control	4.02	0.88
Strong process engineering skills	3.88	0.75
Overall Mean	3.92	
Overall SD		0.96

Source: Own Survey Data (2021)

Most of the respondents agree pricing below the competitors had an impact in reducing costs significantly. The other factors most considered by the respondents in relation to overall cost reduction strategy were tight cost control and Keeping lower overheads than the competitors. According to the respondents process reengineering easily achieve operational efficiency by reducing unproductive costs and creating economics of scale which helps the bank to achieve competitive cost advantage.

The interview conducted with the bank's marketing and corporate planning officer cost leadership strategies are applied strategy to bit the competition. The bank use cost leader strategy to in a range domestic banking services through economies of scale and interest rate applied for export sector it give loan 9% interest even it is open for negotiation with customer according to the amount foreign currency have so it can be under this present. United bank give to staff loans with 8% interest and advances loan zero interest. For private banks to be a cost leader in the market, they must be able to offer lower prices to customers compared to competitors with a similar service.

Differentiation strategy

At the same time the bank had applied differentiation strategy to withstand competition had been measured by the extent the bank uses various differentiation strategies as outlined in the table 4.2.3 below.

Table 4.2.3 Variable on Differentiation Strategy

Variables of differentiation strategy	Mean	Standard Deviation
Your bank use of innovative marketing techniques to perform similar activities better than its competitors	4.21	1.01
The bank has differentiation strategy(unique product/service provider strategy that encourage customers to stay with it rather than going to competitors	4.12	1.05
The bank system is modern technology multichannel to reach to customers	4.31	1.03
Reputation for quality service or technological leadership that are being applied by the bank enable it to be in a competitive position	4.41	0.67
The bank has skilled human resource enable the bank to be in a winning position over its competitors	3.63	1.29
over all mean	4.14	
over all SD		0.62

Source: Own Survey Data (2021)

Among the listed differentiation strategy, most respondents support reputation for quality service or technological leadership as their prime source to get differential advantage. This is followed by multichannel or modern technology, innovative marketing technique similar activity better than competitor, unique product/service and skilled human resource.

Documents obtained from the bank showed United Bank’s enables to introduce various products and improves its service provision, among the newly introduced service Hibr Golden deposit which have attractive interest and ‘Ekub’ collecting deposit account are include. It is also noted that, the bank is currently rendering 24/7 overnight services at its Hilton Branch, which is open for 24 hours are included.

Focus strategy

Table 4.2.4 Variable on Focus Strategy

variables	Mean	Standard Deviation
Branch expansion	4.08	0.86
Change in target market segment	4.24	0.72
Over all mean	4.16	
over all SD		0.14

Source: Own Survey Data (2021)

Table 4.2.4 indicate the respondent were also requested among the variables indicated on the focus strategy asked to the respondents to measure the extent of focus strategy applied by their banks, most of them believe that their banks were using high level of market segmentation to narrow group of customers basically to gain focus advantage this followed by branch expansion.

The response from the interview indicated that focus Strategies of the bank have being applied mainly based on socio-culture, economic sector, and in individual basis clients. Interest free banking for Muslim society, a wide variety of export loans and advance at relatively low cost basis, free of cost banking service including salary payment to their staffs, collection of fees from their customers, and negotiation with individual corporate clients to satisfy their banking requirements the like. The extent to which their bank adopted a focus strategy as competitive strategy entails tailoring the products of a specific segment exclusively to endure that their specific needs are fully satisfied and expected to attend specific market niches that require special features or prices.

Table 4.2.5 Operational Effectiveness Strategy

	Very High	High	Neutral	Low	Very low
Lock in Customers Strategy	58.8	26.6	8.8	5.8	0
Commutative percentage	58.8	85.4	94.2	100	100
Operational Effectiveness Strategy	40	35.5	15.5	4.4	4.6
Cumulative percentage	40	75.5	91	95.4	100
Increase Switching Cost Strategy	24	44.8	22.4	4.1	4.7
Cumulative percentage	24	68.8	91.2	95.3	100

Source: Own Survey Data (2021)

The respondents were asked to show their level of agreement with the statement that United Bank has strategies that encourage customers to stay with it rather than going to competitors. As shown in Table 4.2.5, 58.8% of the respondents replied strongly agree and 26.6% agree, 8.8% were neutral, 5.8% disagree and 0% very disagreement. This indicates that United Bank applies lock in customer strategy as a competitive strategy.

Review of secondary source and interview results reveal that United Bank has been carrying out different activities that encourage customers to stay with it rather than going to competitors. To mention, selling its share to its prominent customers, reducing/relaxing of collateral requirements of those borrowers who are banking with it for long year, providing priorities and negotiation with individual customers to satisfy their needs are some of the practices being applied by the bank.

The respondents were also asked to show their level of agreement on the statement that reads as United Bank improves its internal operations so as to perform similar activities better than

its competitors. 40% of the respondents were agree while 35.5% agree 15.5 neutral 4.4% disagree and the rest 4.6% very disagree with the statement. The result indicates that United Bank applies operational effectiveness strategy as a competitive strategy. This is the cumulative result of the bank's strive for existence of transparency and accountability in every level of its operation, modernize its workflows for loan operation, trade finance operation, domestic banking operation, its contingency operation mechanism while power and network interruption.

In addition, the results of the interview made with staff benefit and record management section head indicated that United Bank has been applying this strategy to retain its staffs by providing different benefit packages considering their service years. Some of these are: life and endowment insurance, loans and advances and the like. A staff must serve the bank a minimum of one year to be entitled with housing and automobile loans.

The respondents are 24% very agree, 44.8% agree, 22.4% disagree and the rest 4.7% very disagree with statement while 22.4% of the respondents were neutral. However, majority of the respondents, represented by 68.8% of the total respondents gave their support to the statement. This indicates that the bank has been applying increasing switching cost strategies

4.3 Competitive strategies Formulation and implementation

One of the specific objectives of the study was to evaluate competitive strategy formulation practices of United Bank. To realize this particular objective, the respondents were asked to show their level of agreement.

Table 4.3.1 Mission and Vision

	Frequency	percent	Valid	Cumulative percent
Strongly Agree	57	62.3	62.3	62.3
Agree	25	27.7	27.7	90
Moderate	8	10	10	100
Disagree	90	100		

Source: Own Survey Data (2021)

The researcher asked the respondent to show their level of agreement with the statement United Bank's Strategies are properly aligned with its vision and mission. Table 4.3.1

presented that accordingly, majority of the respondents represented by 90% of the total respondents were agreed with the statement. Amazingly, 62.3% of them were strongly agreed and no one was disagreed with this statement except 10% of the respondents were neutral, neither agrees nor disagrees.

This indicate that the respondents shown their support to the statement of United Bank assesses its own internal environment and identifies key strengths and weaknesses, there is a high acceptance of the mission by the staff and management which shows the mission of United Bank is part of the strategic implementation to help achieve the needed performance and operations of the company. From discussion had with the bank officials indicated that United Bank play by the mission, vision and value of the organization. It also mentioned that the bank created a session on awareness creation on the change of the grand strategy.

Table 4.3.2 External Environment

	Frequency	percent	Valid	Cumulative percent
Strongly Agree	35	38.9	38.9	38.9
Agree	36	40	40	78.9
Moderate	10	11.1	11.1	90
Disagree	8	8.9	8.9	98.9
Strongly disagree	1	1.1	1.1	100
Total	90	100	100	

Source: Own Survey Data (2021)

The respondents were asked to the statement that United Bank assesses its external environment and identifies opportunities and threats to its business before formulating competitive strategies. As shown in Table 4.3.2, 38.9% of the respondents replied strongly agree and 40% agree, 11.1% were neutral, 8.9, disagree and only1.1% of respondents express their strong disagreement. This indicate that majority of the respondents agreed that United Bank successfully integrates its external factors (opportunities/threats) for securing/keeping a competitive advantage.

Table 4.3.3 Internal Environment

	Frequency	percent	Valid	Cumulative percent
Strongly Agree	33	36.7	36.7	36.7
Agree	37	41.2	41.2	77.9
Moderate	8	8.8	8.8	86.7
Disagree	9	10	10	96.7
Strongly disagree	3	3.3	3.3	100
Total	90	100	100	

Source: Own Survey Data (2021)

The above table, Table 4.3.3 presents the respondents United Bank assesses its own internal environment and identifies key strengths and weaknesses. The respondents replied strongly agree and 36.7% agree, 41.2 neutral, 8.8 disagree 10% and only 3.3% of respondents express their strong disagreement. This indicates majority of the respondents agreed that United Bank successfully integrates its internal factors (strengths/weaknesses).

Table 4.3.4 Integrate External Factor with Internal Factor

	Frequency	percent	Valid	Cumulative percent
Strongly Agree	30	33.3	38.9	38.9
Agree	33	36.7	40	78.9
Moderate	10	11.1	11.1	90
Disagree	8	8.9	8.9	98.9
Strongly disagree	9	10	1.1	100
Total	90	100	100	

Source: Own Survey Data (2021)

The researcher has also asked respondents United Bank assesses its own internal environment and identifies key strengths and weaknesses with its external environment and identifies opportunities and threats to its business before formulating competitive strategies. Accordingly, Table 4.3.4 presented that 18.9% of the respondents are disagree with statement while 11.1% of the respondents were neutral. Majority 70% of the respondents agreed that United Bank successfully integrates its internal factors (strengths/weaknesses) with external factors (opportunities/threats) for securing/keeping a competitive advantage.

Table 4.3.5 All Managers Affect by Strategic Planning

	Frequency	percent	Valid	Cumulative percent
Strongly Agree	59	65.5	65.5	65.5
Agree	23	25.6	25.6	91.1
Moderate	8	8.9	8.9	100
Disagree	90	100		

Source: Own Survey Data (2021)

The researcher asked the respondent to show their level of agreement with the statement that reads as all managers whose work might be affected significantly by strategic planning participate in the planning process. Accordingly, majority of the respondents represented by Table 4.3.5, 91.1% of the total respondents were agreed with the statement. Amazingly, 65.5% of them were strongly agreed and no one was disagreed with this statement except 8.9% of the respondents were neutral, neither agrees nor disagrees. This indicate that the respondents were agreed that all management is significantly affected by strategy planning participate in the planning process of United Bank.

The researcher has also reviewed some procedure and policy documents of the bank and has verified that the bank conduct progress review on quarterly basis and in this meeting all branch managers as well as executive management members are members of participants. In addition, all branch and department managers are expected to prepare their respective annual budgets considering the prevailing competition, the bank's position in the industry, its internal strength and weakness and external opportunities and threats.

4.3.6 Competitive Strategies Implementation Process

Table 4.3.6 presented the summary of respondents' extent of agreement to the statements that meant to measure competitive strategy implementation practice of United Bank.

Table 4.3.6 Competitive Strategies Implementation Process

Variables of differentiation	Very High	High	Moderate	Low	Very low
United Bank clearly assigns guide responsibility for action plan implementation to a person or, alternatively, to a team.	30.3	57.2	3.1	2.2	7.2
Cumulative percentage	30.3	87.5	90.6	92.8	100
United Bank allocates sufficient resources for implementation of its start	34.3	38.5	16.6	6.4	4.2
Cumulative percentage	34.3	72.8	89.4	95.8	100
United Bank reward individuals who are responsible for strategic planning and implementation for their successful performance.	43.8	40.1	8.4	5.3	2.4
Cumulative percentage	43.8	83.9	92.3	97.6	100
United Bank sets clearly defined and measurable performance standards for each plan elements	20.1	48.4	19.8	6.3	5.4
Cumulative percentage	20.1	68.5	88.3	94.6	100
United Bank measures actual performance against the predetermined standards	13.4	33.5	26.5	25	1.6
Cumulative percentage	13.4	46.9	73.4	98.4	100

Source: Own Survey Data (2021)

Table 4.3.6 Show As a result, 30.3%strongly agree,57.2 agree,3.1 nuteral,22 disagree and 7.2% of the respondents were strongly disagree with these statements. It indicate that United Bank sets clearly assigns guide responsibility for implementation process.34.3%strongly agree, 38.5 agree, 16.6 neutral, 6.4 disagree and the rest 4.2 very disagree, this indicate that the respondents also support the statement that United Bank allocates sufficient resources for implementation of its strategies. Out of the total respondents, 83.9% agreed, 8.4% neutral and the remaining 7.7% were disagree with the statement the bank reward individuals who are responsible for strategic implementation.

20.1% strongly agree, 48.4% agree, 19.8% neutral, 6.3% disagree and the rest 5.4% very disagree, this indicate that United Bank sets clearly defined and measurable performance standards for each plan elements and the bank measures actual performance against the predetermined standards

4.3.7 Additional Consideration for Implementation of Competitive Strategy

Respondents were asked to show their level of agreement with the above listed statements that are meant for evaluating competitive strategy implementation of capacity of United Bank S.C from different perspectives.

Table 4.3.7 Additional Consideration for implementation Strategy

Variables of differentiation	Very High	High	Moderate	Low	Very low
United Bank's management style is appropriate for achieving its strategic goals	15.5	40.8	28.1	8.4	7.2
Cumulative percentage	15.5	56.3	84.4	92.8	100
United Bank's organizational structure is appropriate for achieving its strategic goals	17.6	36.4	31.6	8.7	5.7
Cumulative percentage	17.6	54	85.6	94.3	100
United Bank's overall system is appropriate for achieving its strategic goals.	24	44.8	22.4	4.1	4.7
Cumulative percentage	24	68.8	91.2	95.3	100

Source: Own Survey Data (2021)

As we have seen in the above table, Table 4.3.7, respondents were asked to show their level of agreement with the above management style, 15.5% strongly agree, 40.8% agree, 28.1% neutral, 8.4% disagree and 7.2% strongly disagree, organizational structure 17.6% strongly agree, 36.4% agree, 31.6% neutral, 8.7% disagree and the rest 5.7% strongly disagree. 24% strongly agree, 44.8% agree, 22.4% neutral, 4.1% disagree and 4.7% were strongly. This indicates that Most of the respondent management style, overall system and organizational structure of United Bank were adequately managed and designed to implement.

Interview made with staff united bank management communication and working in unison, it achieves strategy implementation and goal. Overall systems integrate its strategy and control

systems United Bank collect customer feedback every three years and discuss about it with the staff. At the same time organization structure of United Bank appointed to oversee the team but if someone wants to communicate with the director there is an open office.

4.4 External Factor

Respondents were asked to indicate the main external factors that highly influence United Bank's decision while formulating its competitive strategies.

Table 4.4.1 External Factors

Factors	N	Min	max	Mean	Mean Rank	Std Dev
Economic factor	90	3	5	4.05	2	0.783
Political/Governmental/legal factors	90	2	5	3.01	3	0.998
Socio-cultural factor	90	1	5	1.69	5	1.203
Technological factor	90	1	5	2.05	4	1.215
Competitive factor	90	2	5	4.29	1	0.838
Valid N (list wise)	90					

Source: Own Survey Data (2021)

Accordingly, as shown in the following table, Table 4.4.1, the first and the second highest external factors as indicated by the scored highest Mean 4.29 and 4.05, competitive factors and economic factor are the main external factors that influence United Bank's decision while formulating its competitive strategies respectively. On the other hand, political/governmental/legal factors scored Mean=3.01 which makes these factors the third most influential external factors. Lastly, technological factors (Mean score =2.05) and socio-cultural factors (Mean =1.69) have fourth and the fifth rank.

The result of the interview which was conducted with marketing and corporate planning department manager indicated that:

Competitive factor: - intensity of competition in the banking industry especially corporate depositors and exporters are the core factors of the bank. In order to compute this factor

United Bank give a wide variety of export loans and advance at relatively low cost basis. Exit charges, like fee for early settlement of loans, fees for collateral release and bureaucratic procedures that discourages customers from going to competitors.

Economic factor: - availability of credit, foreign currency and import /export are the critical economic factors. United bank identified many opportunities financial market from foreign investors, Diaspora saving account, Diaspora loan and a wide variety of export loans and advance at relatively low cost basis.

Political/Governmental/legal: - United Bank has stiff competition from Commercial Bank of Ethiopia (CBE). CBE is governmental bank so it has many advantages.

Technological factor: - network interrupting is one of factors but in other hand United Bank use paperless internal communication system and work flow has been changing from customarily ways to modern and paperless ones. In this regard, the bank is doing its loan process and approval using the so called Loan Process Origination System which completely avoids transfer of file from branches to Head office and cuts the process time.

Socio-cultural factor: - to solve socio cultural factors one of united bank by focus strategy it create Interest free banking for Muslim society

4.5 Internal Factors

Table 4.5 Internal Factors

Factors	N	Min	max	Mean	Mean Rank	SD
Human Resource Factors	90	3	5	4.52	1	0.554
Technological Resource Factors	90	3	5	4	3	0.762
Financial Resource Factors	90	2	5	4.02	2	0.818
Organizational Resource Factors	90	2	5	3.13	4	1.014
Physical Resource Factors	90	1	5	3.01	5	1.164
Valid N (list wise)	90					

Source: Own Survey Data (2021)

The above table, Table 4.5.1, presents the respondents' answer for the question that was meant to identify the main internal factors that highly influence United Bank's decision while formulation and selection of its competitive strategies. As a result, human resource factors, financial resource factors and technological resource factors are replied as the main internal factors that highly influence the bank's decision while formulating competitive strategies, as indicated by Mean rank of 1st, 2nd and 3rd, as per the registered high score mean 4.52, 4.02 and 4.00, respectively. The registered Mean score of 3.13 for organizational resource factors were the 4th. The 5th rank with a Mean=3.01 indicated physical resource factor was the internal factors that has least influence on United Bank's decision regarding formulation and selection of its competitive strategies.

4.6 Competitive Advantage

Table 4.6 competitive advantage

	Frequency	percent	Valid	Cumulative percent
Strongly Agree	48	53.4	53.4	53.4
Agree	23	25.5	25.5	78.9
Moderate	8	8.9	8.9	87.8
Disagree	8	8.9	8.9	96.7
Strongly disagree	3	3.3	3.3	100
Total	90	100	100	

Source: Own Survey Data (2021)

The respondents were asked to indicate their extent of conformity on the statement that United Bank S.C has competitive advantage in the banking industry in Ethiopia. Table 4.6 show that, 53.4% of the respondents replied strongly agree, 25.5% agree, 8.9% are neither agree nor disagree but 8.9% disagree and 3.3% strongly disagree with the statement. Therefore, majority of the respondents, represented by 78.9%, express their agreement/support to the statement of that United Bank has competitive advantage in the banking industry in Ethiopia.

Researcher made interview with the respondents united Bank has competitive advantage by using cost leadership strategy like low cost intuitive to customer and increased customers number and differentiation strategy offered customers with variety of products and unique product.

4.7 Challenges faced in implementing competitive strategies

Table 4.7 Challenges in Implementing Competitive Strategy

Challenge	N	Min	Max	Mean	mean Rank	SD
High complexity in expectation from customers	90	2	5	4.09	2	0.818
Change in government regulation	90	3	5	4	3	0.762
High cost of doing our service	90	1	5	3	5	1.164
Marketing research capability	90	2	5	3.44	4	1.014
High level of competition	90	3	5	4.62	1	0.554
Under developed infrastructures	90	1	5	1.56	6	0.878

Source: Own Survey Data (2021)

The above table 4.7 presents the challenges faced by United Bank in implementing its competitive strategies, the study indicated High level of competition, high complexity in expectation from customers and high cost of doing our service Mean rank of 1st, 2nd and 3rd, as per the registered high score mean 4.62, 4.09 and 4.00, respectively. The registered Mean score of 3.44 and 3.00 marketing research capability and high cost were the 4th and 5th rank challenges, respectively. The 6th rank with a Mean=1.56 indicated that under developed infrastructures.

Furthermore, the result of the interview conducted, limitations of bank services or products by competitors, unethical move of other competitors and loss of skilled employees to competitors were also indicated by the respondents were also another challenge In the process of maintaining existing customers and to recruit more potential profitable customers, the banks are incurring a huge cost which is becoming a challenge to the players in the industry.

The bank had high cost on advertisement and put a flexible marketing, On the other hand From interview results and other sources including the bank's website the researcher found out that United Bank has been implementing different strategies to overcome the challenge of rise in cost of associated with its services and products by reducing or controlling the cost of operation.

The bank has been applying different strategies to overcome these challenges. These include paperless operation strategy, outsourcing of security and equipment maintenance services, agency banking, sub-branching, card banking, mobile banking, and online banking. Currently, the bank has moved to fully paperless operation using its core banking technologies, electronic communication among all the branches with Head office organs. One of the systems that are being applied by the bank is loan origination system which enables the bank to perform the entire loan processing and approval tasks electronically. This totally avoids carrying and sending hard copy files from branches to Head office credit analysis and appraisal department and vice-versa. In addition to ensuring paperless operation, this system enables the bank to speed up service delivery time and enhance customer satisfaction, to facilitate easily access to the documents while needed to refer for varies purposes, like audit and inspection, and to increase data security, and eliminates risk of loss of hardcopy documents.

Chapter five

5. Findings, Conclusion and Recommendations

The study was conducted to assess the formulation and implementation of competitive strategy of Ethiopian private banks –the case of United bank S.C. This chapter presents conclusions and recommendations given by the researcher based on the findings of the study which are presented and discussed in the preceding chapter. The study objectives were: to identify kinds of competitive strategies adopted by United Bank; to evaluate capability of the current strategies being adopted by United bank to gain competitive advantage in the banking industry in Ethiopia; to identify external and internal factors that influence the bank's choice of competitive strategies; to evaluate formulation and implementation of competitive strategies practices of the bank; and to determine the challenges United Bank face in implementing the competitive strategies. The study adopted descriptive survey design and a sample size of 90 was used for the study. Participants were selected using non probability sampling method. The findings were then presented in tables as appropriate with explanations being given in written thereafter.

5.1 Findings and Conclusions

Based on the finding of the study the following conclusions are drawn by the researcher.

The study concluded that United Bank S.C apply different strategies in response to demand for banking services with the major strategies being applied being a combined strategy, cost leadership strategy, differentiation strategy, and the focus strategy. This is an indication that the banks under study uses mixed strategy mostly in response to competition followed.

The finding on differentiation strategy in response to competition revealed, majority of the respondents were in applied quality service, technological leadership, unique banking service, reputation, new product or service development, use of innovative marketing techniques, use of multichannel or modern technology and unique skill in the industry.

The findings on cost leader strategy to in a range domestic banking services through economies of scale and interest rate applied for export sector and staff loans and advances.

The findings on focus strategy also indicated that most of the respondents are in agreement on the application of high level market segmentation to narrow group of customers.

The study assess the current strategies being adopted by united bank is capable for achieving competitive advantage. From the finding of the study the researcher concluded that formulation and implementation of competitive strategies of United Bank are being successfully practiced. However, the study also indicated that even though the overall system, organizational structure, staff and management style of United Bank were adequately managed and designed to implement its competitive strategies, there are significant room for improvement that the bank has to work on. United Bank more than the average of the total share of the private bank market.

External factors that highly influence United Bank's decision while formulating its competitive strategies are competitive factors and economic factors. Whereas, the remaining external factors which are political/governmental/legal factors, socio-cultural factors, and technological factors have less influence on the Bank's decision while formulating its competitive strategies.

Internal factors that influence United Bank's decision while formulating its competitive strategies. Of these internal factors loss of skilled employees to competitors. financial resource factors, technological resource factors are the main factors that highly influence the bank's decision while formulating and selecting its competitive strategies whereas organizational resource factors.

The final research question of this study was to determine the challenges United Bank S.C face in the implementation of competitive strategies. The study concluded that United Bank S.C faced various challenges in the implementation of competitive strategies. According to the research the significant challenge determined while implementing competitive strategies, high level of competition, high complexity in expectation from customers and high cost of service. United Bank has been designing various ways, like internet banking, mobile banking, agency banking, sub-branching

5.2 Recommendation

Based on the findings of the study, the following recommendations were forwarded for adoption for players in the sector.

Firstly, the study recommended that the government should come up with policies that would ensure that the challenges facing commercial banks in the maintenance of demand are addressed. The study recommended that, to enhance performance the government should create an enabling environment for investment and market competition. This would increase the competitive edge of the Ethiopian private banks.

Secondly since United Bank has been applying mixed competitive strategies the bank need to be flexible enough and should have monitoring and communication systems that allows participation of every stakeholders of the bank to observe and report any change in the banking industry in particular and the economy in general to act proactively or to take immediate actions to change in the industry and the economy.

Thirdly to reduce high cost which is associated with office rent it should try to construct building for branch offices should be included in its long term plan.

Fourthly there is unfair competition among banks so National Bank of Ethiopia should have strong control to solve problem foreign currency allocation procedure, loan provision practices, control the application of code of conduct and ethics of the banking.

Lastly the study also recommends that commercial banks adopt advanced technology that would ensure that there are reduced costs and improved service quality. This would also increase the competitive advantage of the banks through advanced technological capability.

5.3 Limitations and Suggested Areas for Further Research

Because of the rule of banks to get getting some vital information not permit, some of the respondents of the study were management staffs and hence they were busy and took time and delayed to fill and return the questionnaire. But, these limitations were not problems to the final success of the study.

The study should be extended to establish the strategies employed to build competitive advantage in other related sectors in the industry such as microfinance institutions. The researcher recommends further research in the area of the factors affecting the effectiveness of competitive strategies in dealing with falling demand of banking services.

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Appendix I: Research Questionnaire and Interview

St. Mary's University

Masters of Business Administration (MBA)

Questionnaire to be filled by staffs of _____ Bank S.C.

Dear respondent:

Good day to you!

My name is Elisabeth Teshome, a post-graduate student pursuing Master Degree in Business Administration. Currently, I am conducting research as partial fulfilment of a Master's degree in business administration entitled 'Assessment of Competitive Strategy Formulation and Implementation of Private Bank in Ethiopia'

To achieve this research objective, the information you provide will contribute a lot to the success of this study. It is assumed that the questionnaire will take only a few of your time to complete.

All information provided will be used for academic purpose **ONLY** and will be treated in strict CONFIDENTIALITY. I kindly request your cooperation in filling the questionnaire and return it back within a reasonable time period. I am grateful for your kind cooperation and would like to extend my heartfelt appreciation, in advance, for providing me all the relevant information regarding your respective bank.

General Instruction

- ✓ There is no need of writing your name
- ✓ In all cases where an answer options are available please tick (✓) in the appropriate box.
- ✓ Please try to honestly describe the fact as per the questions on the space provided
- ✓ Please do not fill this questionnaire if your banking experience is less than 2 year

In case you have any inquiry or need clarification regarding the questions, please feel to contact me with: E-mail: meronteshie@gmail .com or Mobile 09111555551

I thank you your precious time and cooperation!

Best regards.

Part I:

Respondents profile (please put ‘√’ in the box provided)

1. Gender: Male Female
2. Age: < 25 years 25 – 34 years 35 – 44 45 years and above
3. Education Status: PhD MA/MSc Diploma Other
4. Your work experience : 1 – 3 years 4 – 6 years 7 – 9 years 10 -12 years 13 years & above
5. Position held in the Bank
 Manager
 Non-manager

Part II Open and Close ended Questions

1. Is your bank currently facing any challenges due to competition?
 Yes No

2. To what extent do these challenges affect your banks operation? Put a tick() mark under your choice using 5(strongly agree), 4(agree), 3(Neutral), 2(dis agree) and 1(strongly disagree)

Challenge	strongly agree 5	Agree 4	neutral 3	Disagree 2	Strongly disagree 1
High complexity in expectation from customers					
Change in government regulation					
High cost of doing our service					
Marketing research capability					
High level of competition					
Under developed infrastructures					

3. While formulating competitive strategies for United Bank, which of the following external factors have more influence the bank's decision? Please indicate the extent of influence. Hint: using 5(strongly agree), 4(agree), 3(Neutral), 2(dis agree) and 1(strongly disagree)

No	External Factors	strongly agree 5	Agree 4	neutral 3	Disagree 2	Strongly disagree 1
1	Economic Factors					
2	Political/ Governmental/legal Factors					
3	Socio-cultural Factors					
4	Technological Factors					
5	Competitive Factors					

4. While formulating competitive strategies for United Bank, which of the following internal factors have more influence the bank's decision? Please indicate the extent of influence. Hint: using 5(strongly agree), 4(agree), 3(Neutral), 2(dis agree) and 1(strongly disagree)

No	Internal Factors	strongly agree 5	Agree 4	neutral 3	Disagree 2	Strongly disagree 1
1	Human Resource factors of the bank					
2	Physical Resource factors of the bank					
3	Organizational Resource factors of the bank					
4	Financial Resource factors of the bank					
5	Technological Resource factors of the bank					
6	Reputation of the bank					

5. Questions for identifying what kinds of competitive strategies that your bank has been applying.

using 5(strongly agree), 4(agree), 3(Neutral), 2(dis agree) and 1(strongly disagree)

Ser. No.	Questions	strongly agree 5	Agree 4	neutral 3	Disagree 2	Strongly disagree 1
1	Your bank use of innovative marketing techniques to perform similar activities better than its competitors					
2	The bank has differentiation strategy(unique product/service provider strategy that encourage customers to stay with it rather than going to competitors					
3	The bank system is modern technology multichannel to reach to customers					
4	Reputation for quality service or technological leadership that are being applied by the bank enable it to be in a competitive position					
5	The bank has skilled human resource enable the bank to be in a winning position over its competitors					
6	Branch expansion					
7	Change in target market segment					

6. Questions for evaluating competitive strategies formulation process of United Bank S.C

using 5(strongly agree), 4(agree), 3(Neutral), 2(dis agree) and 1(strongly disagree)

Ser. No.	Questions	strongly agree 5	Agree 4	neutral 3	Disagree 2	Strongly disagree 1
1	The bank's strategies are properly aligned with its vision and mission					
2	The bank assesses its own internal environment and identifies key strengths and weaknesses before formulating its competitive strategies					
3	The bank assesses its external environment and identifies opportunities and threats to its business before formulating its competitive strategies					
4	The bank successfully integrates its internal factors (strengths/weaknesses) with external factors (opportunities/threats) for securing/keeping a competitive advantage					
5	All managers whose work might be affected significantly by strategic planning participate in the planning process.					

7. Quotations for evaluating competitive strategies implementation process. using 5(strongly agree), 4(agree), 3(Neutral), 2(dis agree) and 1(strongly disagree)

Ser. No.	Questions	strongly agree 5	Agree 4	neutral 3	Disagree 2	Strongly disagree 1
1	United Bank sets clearly defined and measurable performance standards for each plan elements.					
2	United Bank measures actual performance against the predetermined standards					
3	United Bank allocates sufficient resources for implementation of its strategies					
4	United Bank reward individuals who are responsible for strategic planning and implementation for their successful performance					
5	United Bank's human resource enable the bank to be in a winning position over its competitors					
6	United Bank's management style is appropriate for achieving its strategic goals.					
7	United Bank's values are appropriately shared by every members of the bank.					
8	United Bank's organizational structure is appropriate for achieving its strategic goals					
9	United Bank's overall system is appropriate for achieving its strategic goals					
10	Keeping lower overheads than the competitors					
11	Pricing below the competitors					
12	Tight cost control					
13	Strong process engineering skills					

8. In your opinion, is your bank put in place a strategy to mitigate the challenges?

Thank you once again

Elizabeth Teshome

St. Mary's university

Masters of business administration (MBA)

Interview

The information derived from this interview will be treated confidentially and will not use for any other purpose other than academic.

1. What kinds of strategies are being applied by your bank to win the competition in the banking industry?
2. To what extent the current strategies being adopted by your bank are capable for coping with completion in the industry?
3. What are the main internal and external factors that highly influence your bank's decision while formulating and selecting competitive strategies?
4. What are the challenges and problems faced by your bank in implementation of competitive strategies?
5. Does your bank have written long-term (3- 5 years) and short –term (1 year) goals?
6. How often does your bank conduct progress review? (Monthly/Quarterly/Semi-annually/Annually)