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Core Assumptions and the Competitive Advantage among Commercial Banks in Kenya

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Abstract

Purpose: This paper sought to examine the effect of verification of core assumptions on the competitive advantage among commercial banks in Kenya.

Methodology: The target population for the study were directors or managers in-charge of planning or strategy in each of the forty banks in the country. Primary data was collected using a semi structured questionnaire. The questionnaire was tested for both validity and reliability and was found to meet the required threshold. . Data was analyzed using both descriptive and inferential statistics. Analysis was done with the assistance of SPSS computer packages.

Findings: A response rate of 77.5% was achieved in the study and this was adequate for analysis. The study found that verification of core assumptions has a β =0.472 and a p-value of 0.000 which indicates that it has a significant effect on the ability of banks to sustain competitive advantage. The study therefore concluded that verification of core assumptions must be carried out continuously to track their validity on which the company's strategies are grounded upon.

Unique Contributions to Theory, Practice and Policy: The study therefore recommends that banks should raise the level of use of competitive intelligence in monitoring the competitive landscape to enable early verification of core assumptions. The study further recommends that banks should continuously monitor the various core assumptions that were considered during strategy formulation to verify their validity to enable the bank rapidly change the strategy, should the core assumption on which it was grounded on be found to be no longer valid.

Key words: *Core assumptions; strategic inputs: competitive intelligence; competitive advantage*

Background of the Study

The increased environmental uncertainties have created a need to monitor and understand the environment more accurately for survival and success (Kalinowski, 2012). This recognition of the environmental challenges and risks that have continued to increase has brought a need for the companies to seek for advanced competencies to continuously monitor the competitive landscape to remain competitive (Heppes, 2006).The need to enhance competitiveness has forced companies to consider competitive intelligence not only as a protective tool to guard against perceived threats and changes but also as a mechanism for discovering new opportunities and trends (Pirttimaki, 2007). Garelli (2003) states that since companies actually compete in the global economy, many authors are of the opinion that when studying competitiveness, the focus should be on companies as they are the main engines of a country's competitiveness.

Dubey and Dubey (2010) noted that competitive intelligence is the right toolkit for managing information, external actors and winning on the business battle field. Competitive intelligence may be regarded as the acquisition, analysis and utilization of information about competitors, new and potential competition, clients, suppliers and governments in order to support decision making for enhancing competitiveness of organizations (Anica &Cucui, 2009). In order to maintain a sustainable competitive advantage in the fierce business environment, it is certainly important to have a versatile and in-depth understanding of the determinants driving change (Nasri, 2012).

Wright (2010) state that there are many reasons that motivates business enterprises to use competitive intelligence stating that it provides: "an objective view of the market place; a reduction in decision making time, minimizing risk and avoiding surprises; identification of opportunities before the competition does; identification of early warning signals of competitor moves; time to consider counter moves; input to idea generation; challenges to, and/or verification of assumptions; challenges to, and/or verification of intuition; a proactive decision making attitude; support for prioritization of decisions; stimulation for pursuing improvement rather than mediocrity; a reduction in uncertainty.

Competitive intelligence is the value adding, continuous, and systematic process of knowledge and information flow for the purpose of monitoring both the internal and external environment of an organization collected legally and analyzed and finally used to improve decision making (Roitner, 2008). The main purpose of competitive information analysis is to gain a better understanding of an industry and its competitors, make better decisions, develop superior strategies and achieve more efficient results that position the organization at a higher level of achievement compared to its rivals (Rakimane, 2009). Performance measurement is considered as the process of quantifying the effectiveness and efficiency of actions (Alaa & James, 1996). Ma (2000) observed that competitive advantage and firm performance are two constructs with an apparently complex relationship, while Ray, Barney and Muhanna (2004) found a significant relationship between competitive advantage and performance. Waithaka (2020) states that tactics oriented competitive intelligence could inform a firm's sales force where the next generation of products could be heading. Though much empirical works has centered on competitive advantage, the generalization of its relationship to competitive intelligence is under researched (Safarnia, Akbari, & Abbasi 2011)

Strategic Inputs of Competitive Intelligence

The topic of intelligence is vast and has its roots in military science. One of the earliest sophisticated references is the art of war by Sun Tsu (Griffith, 1971) written about 500 BC and has been the basis for development in military intelligence. Intelligence has been a significant factor in military success for thousands of years (McCandles, 2003). The genesis of intelligence activities in the context of commerce and business, is however, a more recent development (Fleisher, 2001). After the end of the Cold War, competitive intelligence once used in the military environment rapidly infiltrated into the business environment (Deng & Luo, 2010). When the Cold War came to an end in 1990, downsizing occurred in the United States of America armed forces and related intelligence activities, which resulted in many qualified intelligence officers seeking to apply their skills in other arenas. One arena where they found a home was in business organizations (Prescott, 1999). Hence the widespread use of competitive intelligence in business organizations today.

Petrisor and Strain (2013) noted that competitive intelligence contributes to the continuous improvement of the quality of products, services and solutions offered by companies, while on the other hand, has an important role in increasing the firm's innovation capability. Fahey (2007) identified five competitive intelligence domains or strategic inputs that researchers in competitive intelligence needs to focus on. These are: market place opportunities; competitor threats; competitive risks; key vulnerabilities and core assumptions. Pearce and Robinson (2009) stated that core assumptions are the premises that strategic managers have assessed and found to be relevant and valid before formulating strategies. The authors further stated that due to the dynamic nature of the business environment, that keeps changing, the managers should constantly monitor the validity of those assumptions. If any of the core assumptions is found to be invalid, organizational management should quickly seek to change the strategy that was grounded on it to avoid damaging the performance of the organization in the marketplace,

Competitive Advantage

The pursuit of competitive advantage is an idea at the very heart of strategic management literature (Liao & Hu, 2007). However, Ma (2000) states that competitive advantage is perhaps the most widely used term in strategic management yet remains poorly defined and operationalized. Levy and Weitz (2001) describe sustainable competitive advantage as an edge over competition that could be maintained over a long time. Moreover, a firm could enjoy competitive advantage through its superior knowledge, competencies or capability in conducting and managing its business processes (Teece, Pisano & Shuen, 1997). Safarnia et al., (2011) state that competitive advantage is born when a firm discovers a new and more efficient way to enter an industry and put that invention in concrete form, than its rivals. This could allow the firm to produce quality products at lower costs and deliver the right product/service in the right place, at the right price and time through the most convenient channel.

Musran (2013) explained competitive advantage in terms of delivery dependability, price, speed to the market and product innovation. This agrees with the revisionist view that managerial presentation of competitive advantage vary in content and structure from person to person since managers have different ways of seeking and processing information. Hill and Jones (2009) summarized many of these views when they stated that the main dimensions of competitive advantage are; efficiency, quality, innovation and responsiveness to customers. Efficiency in most companies is measured through employee productivity that helps the firm achieve competitive advantage through cost savings. Reed, Lemak and Mero (2000) see quality as customer's perception of the satisfaction derived from a product or a service and innovation as the art of creating a new process or product. Customers are the core of a business (Alharthi, 2012) and a high level of responsiveness to their needs result in competitive advantage. The current study used customer value, unique products or services and innovation as indicators of competitive advantage.

Commercial Banks in Kenya

The banking industry in Kenya is governed by the Companies Act (Cap 486), the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK, 2017). The industry comprises of 43 commercial banks, 2 mortgage finance companies and 123 foreign exchange bureaus (CBK, 2018). The CBK places commercials banks in Kenya in four major categories based on the ownership: foreign owned locally incorporated, institutions with government participation, foreign owned but locally incorporated institutions (partly owned by locals) and locally owned institutions (CBK, 2018). Three of the commercial banks have however been placed under receivership by the regulator after experiencing some financial challenges. The study will therefore consider forty (40) banks that are operating with the direct control of Central Bank of Kenya.

The banking sector in Kenya has experienced increasing competition over the years whereby commercial banks have been competing amongst themselves and also other financial institutions (Kungu, Desta & Ngui, 2014). At the same time, the Central Bank of Kenya (CBK) Annual Report (2015) indicate that there has been high fluctuation in the level of competitive advantage achieved by individual banks in the last five years (2016-2020) with several banks being ranked in different positions over the same period. The Banking Act chapter 48 requires banks to publish their results and bank charges which expose each bank to imitation by the rivals in the same industry (CBK, 2015). Most studies done in the banking sector in Kenya have laid emphasis on the strategies the banks need to adopt to gain competitive advantage (Gudmundsson, Kisinguh & Odongo, 2013).

The banking sector entered the year 2020 on a strong footing poised to rebound after the interest rate capping was repealed (CBK, 2020). This was however short-lived since the coronavirus (COVID-19) pandemic that was to define the year 2020, did not feature in the global discourse. When the pandemic struck the banking sector and other players instituted measures to mitigate against the adverse impact. These measures were intended to facilitate the use of digital banking services to reduce the infection risk and ensure continued operation of the sector while safeguarding the health and safety of bank staff, customers and the public. The sector remained stable and agile; demonstrating resilience in 2020 despite the COVID-19 pandemic the gross loans and advances grew by 7.2% by the end of the year.

An appropriate banking environment is considered a key pillar as well as an enabler of economic growth (Koivu, 2002). Banks are essential for each country's economy, since no growth can be achieved unless savings are efficiently channeled into investments. Banking industry is competitive and thus requires a lot of creativity and innovation both in terms of new product development. As competition among the commercial banks continues to rise, the management of each bank must come up with novel ways of beating the competition, hence the adoption of competitive intelligence. For organizations in the banking industry to become competitive they need to have access to high quality, future oriented information that is necessary for good long term decisions (Hughes & White, 2005).

Statement of the Problem

Gwahula (2013) stated that commercial banks play an important role in the socioeconomic development in both developed and developing countries by ensuring prudent allocation as well as efficient utilization of resources. They are continuously helping to channel funds from depositors to investors as well as providing access to a nation's payment system (Ongore & Kusa, 2013). However, rapid change, hyper competition, changing demographics and customer needs require banks to build adaptability competency for survival and fostering organizational performance (CBK, 2018).

Serieux (2008) noted that the financial systems in Africa and in Kenya specifically were shallow and fragile and hence unable to effectively contribute to economic development. The shallowness and fragility the author further observed was reflected in low lending levels, high interest spread, high levels of non-performing loans and failing of several banks. Upadhyaya (2011) argues that this has led to poor performance of the commercial banks. While Oloo (2011) noted that several commercial banks were declaring losses in their financial reports. This was further affirmed by Onuonga (2014) who stated that the performance of commercial banks in Kenya was not impressive and profitability was on average erratic. This has necessitated the banking institutions to adopt competitive intelligence strategies in order to remain competitive and maintain their industry positions.

Wright, Bission and Duffy (2012) state that in order to enter, survive and develop in their industry and markets, firms have to gain competitive advantage. Gracanin, Kalac and Jovanovic (2015) state that competitive intelligence can be a source of competitive advantage, enabling a company to develop and implement strategies that improve business efficiency and effectiveness. One of the ways of gaining this competitive advantage in the market is the application of competitive intelligence strategies in enterprises. Waithaka (2016) found that competitive intelligence practices significantly affected the performance of firms listed on the Nairobi securities exchange. Wright (2010) noted that competitive intelligence strategies provide a firm with an objective review of the market place; reduces decision making time; minimizes risks and avoid surprises; helps in identification of opportunities before competition does; identification of early warning signals of competitors moves and reduction of uncertainty.

Nwakah and Onduku (2009) in a study to assess the impact of competitive intelligence on marketing effectiveness in corporate organizations in Nigeria found it had significant impact. Waithaka, Bula and Kimencu (2016) found that target oriented competitive intelligence practice enabled firms listed on the Nairobi securities exchange which include banks to report improvement in performance. The researchers recommend that future research effort should consider the issues and themes that emerged from their study. One such issue was the effect of core assumptions on competitive advantage of organizations. This study sought to determine the effect of core assumptions on sustainable competitive advantage among commercial banks in Kenya.

Objective of the Study

To establish the effect of verifying core assumptions on competitive advantage among commercial banks in Kenya

Research Hypothesis

H_{01}: Verifying core assumptions have no effect on competitive advantage among commercial banks in Kenya

Literature Review

The institutional environment can strongly influence the development of formal structures in organizations. Campbell (2007) observes that institutional theory shapes the behavior of workers in an organization mounding them to behave in a socially responsible way. In order for organizations to survive they must conform to some rules and beliefs systems prevailing in the environment. Where there is pressure to conform to certain rules and regulations especially on product and service standards the institutional theory may impact positively on organizational performance. On the other hand, where conformity leans toward meeting social pressures, the effect on the organizational performance may be negative. Scotts (2004) stated that authoritative but unwritten rules of behavior are shaped by institutions via structures, schemes, regulations, norms and routines. The institutional theory therefore explains the process through which firm's develop key competencies over time that acts as source of competitive advantage.

According to Dimmaggio and Powel (1983), institution refers to formal rules, agreement and non-written assumptions that organizations often conform to and which are derived from regulatory structures, government agencies, law courts, professions and other societal and cultural practices that exert conformance pressures. Institutions such as government agencies, regulatory bodies, religious and professional affiliations often create expectations which firms in a certain setting or employees in a certain firm are expected to meet. Thus certain factors are considered either acceptable or unacceptable in different firms depending on these sets of rules and assumptions. These cultural and social practices are often a source of an enabling environment in a firm to form core competences which aid in efficient use of resources to form sources of competitive advantage for a firm. As partial captives of social convention individuals and organizations are assumed to be approval seeking, susceptible to social influence and relatively intractable creatures of habit and tradition (Scott, 1995; Zucker, 1987). Conformity to the social expectations contributes to organizational success and the survival (Baum & Oliver, 1991). Over time organizations adopt to institutionalized activities which are enduring socially acceptable, and resistant to change. These activities do not rely on rewards or monitoring for their persistence. Activities such are firm processes and management approaches are endorsed by the firm's prevailing culture.

According to March and Olsen (1989) normative institutions exert influence because of a social obligation to comply rooted in the societal obligation to comply or societal belief in what an organization or an individual should be doing. The normative institutional pillar guides organizational and therefore individual behavior. In institutions certain behavior is branded as either acceptable or non-acceptable. Organizations have values which define what is preferred or what proper and therefore acceptable behavior is. This in effect helps norms which are consistent with the values of the firm's in the same industry apart and often form part of the firm's competitive advantage. This way of doing things becomes innate in the employees and therefore becomes an intangible resource that is not easily imitated by other firm s and therefore a source of sustainable competition advantage. The institutional theory therefore complements the RBV requirements that a firm's resource to be considered as having a source of sustainable competitive advantage, the source of competitive advantage must not be transferrable to another firm within the industry (Barney, 1991).

Core Assumptions and Competitive Advantage

Pearce and Robinson (2009) state that every strategy of an organization is formulated based on certain premises or assumptions. These assumptions and perceptions on which the strategy is grounded require to be checked methodically and constantly whether they are still valid. If management discovers that an important assumption is no longer valid, the strategy must be changed. The sooner management recognizes and rejects the invalid assumption the better since this would permit the strategy to be adjusted to reflect the new reality. Primarily management would be concerned with aspects of the general and industry environments.

Child (1972) viewed the assumptions as arising from environmental uncertainty coming from environmental complexity-the heterogeneity and range of environmental activities which are relevant to an organization's operations and environmental dynamism- the degree of change which categorized environmental activities relevant to the organization's operations. Perceived strategic uncertainty was found to be positively related to environmental scanning activities by managers (McGee & Sawyerr, 2003). May, Stewart and Sweo (2000) found that both rate of change and the complexity of the environment did not have significant relationship with managers monitoring the validity of assumption used while designing strategies.

The activities of monitoring the core assumptions are seen to be related to various performance measures. firms that carried out more monitoring activities in terms of frequency, interest and time spent on particular environmental sectors were linked to higher firm performance in financial and market share measures. Daft, Sormunen and Parks (1988) found that those firms that carried out more thorough monitoring on the validity of assumptions had higher performance in terms of return on asset than those that did not. Analoui and Karami (2002) found that high performing firm's put more emphasis on monitoring various aspects of the environment to ascertain the validity of the key assumptions and thus has a formal competitive intelligence system.

Qiu (2008) found that the frequency and scope of competitive intelligence activities was strongly related to organization's competitive advantage. These findings imply that proactive monitoring and scanning of the environmental through the use of strategy inputs of competitive intelligence would provide critical information on the customer needs and competitors actions that would enable management to better assess the strengths and weaknesses of their organization and subsequently lead to better achievement of competitive advantage. In comparing the performance of firms that engage in competitive intelligence activities and those that do not, Cappel and Boone (1995) found that companies employing competitive intelligence, on average, outperformed those companies with no apparent competitive intelligence activities in terms of average sales, market share and profitability. Waithaka (2021) found that competitive risks have a significant effect on competitive advantage on commercial banks.

Research Methodology

This study adopted both descriptive and explanatory research designs. Descriptive studies seek to answer who what and how questions whereas explanatory research design is about identifying the boundaries of the environment in which the problems, opportunities and situations of interest reside and to identify the salient factors that may be found there that are relevant to the research (Babbie, 2002). Mugenda and Mugenda (2003) stated that descriptive design is the process of collecting data in order to test hypothesis or to answer questions on the current status of the subject under study. Descriptive research design approach is credited due to the fact that it allows analysis on the relationship between variables (Creswell, 1999).

The target population for the study was all the commercial banks in Kenya. There are 43 licensed commercial banks that operate in the country but three have been placed under statutory management by the regulator, which is the Central Bank of Kenya. These three banks were not included in this study as their operations are under the regulator and not the managers per se, therefore the population were 40 of the commercial banks. They were the unit of analysis in this study and a census study of those banks was carried out. The population of 40 respondents meets the threshold size of thirty (30) recommended by Mugenda and Mugenda (2003) as ideal to allow normal approximations. The study targeted the manager or director in-charge of planning /strategy in each bank as the unit for observation. Those are the experts in the subject matter within the bank and are believed to be responsible for activities responsible for monitoring competitors’ moves; therefore, they were best positioned to provide information for this study. Primary data was collected using a semi-structured questionnaire which had been tested for validity and reliability and found to meet set threshold.

Descriptive statistics such as mean scores, standard deviations, percentages and frequency distribution were computed to describe the characteristics of the variables of interest in the study. Qualitative response were categorized, coded and grouped into themes that emerge and then triangulated with quantitative data of the study. The research hypothesis was tested at 95% level of confidence in order to enable the drawing of conclusions. If the p-value is less than 5%, the null hypothesis failed to be accepted and the alternate hypothesis failed to be rejected. If the p-value was greater than 5 percent, the null hypothesis failed to be rejected and the alternate hypothesis will fail to be accepted. As suggested by Muthen and Muthen (2007), inferential statistics such as correlation and regression analysis was used to establish the nature and

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magnitude of the relationships between the variables and to test the hypothesized relationships. A simple regression model was adopted as follows:

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$

Where:

Y = Competitive Advantage

β =Coefficient

X_1 = Core Assumptions,

ε = Error term

Findings and Discussions

In the course of the study, a total of 40 questionnaires were distributed to managers or directors-in-charge of planning/strategy in each of the 40 commercial banks operating in Kenya. Out of these questionnaires, 31 of them were completely filled up and returned by these respondents. This was equivalent to a 77.5% response rate which was in line with Yin (2017) who recommended that an over 70% response rate as sufficient for carrying out data analysis.

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Table 1: General Information on Respondents

Category	Classification	Frequency	Percentage
Gender	Male	22	71
	Female	9	29
	Total	**31**	**100**
Highest level of academic qualification	Higher Diploma	2	6
	Degree	16	52
	Masters	12	39
	PhD	1	3
	Total	**31**	**100**
Position in the organization	Director Strategy	3	10
	Director Planning	8	26
	Strategy Manager	11	35
	Manager Planning	9	29
	Total	**31**	**100**
Period served in current position	0-5 Years	4	13
	6-10 Years	16	52
	11-15 Years	9	29
	Over 15 Years	2	6
	Total	**31**	**100**

Table 1 shows that most (71%) of the respondents were male. Majority (52%) of the respondents had bachelor's degrees as their highest level of academic qualifications, while (39%) had master's degrees as their highest level of academic qualifications. Those with Ph. D as their highest level of education were only three per cent (3%). The position held by the highest number (35%) of the respondents was strategy managers, closely followed by planning managers (29%) and director planning (26%). Most (52%) of the respondents had worked for 6-10 years in their current positions, only 13% had worked for less than 5 years.

From the above findings, it can be inferred that respondents of the study were educated and thus had knowledge on how to read and understand the items on the research questionnaire. It can also be deduced that they had worked in their respective banks for a long period of time and thus were knowledgeable in what goes on in the bank. The other inference drawn from the above findings is that the respondents who took part in the study were generally in managerial position which in most cases deals with the formulation of key strategies including competitive intelligence and thus they were quite informed in the field.

Majority (55%) of the banks studied were Tier III banks. About (32%) of the banks had been in operation for more than 20 years and only 13% had operated for less than 5 years. Most (42%) of the banks studied had 301-400 employees, 13% had over 500 employees and 10% had less than 200 employees. Many of the banks (45%) had an annual competitive intelligence activities budget of less than 10 Million shillings and only 10% of the banks had an over 20 million shillings annual budget. A number of banks (29%) had over 41 branches in Kenya and 26% had 31-40 branches. Those with high frequency of collection and analysis of information were more (58%) than those with less frequency (42%). This shows that majority of the studied banks were stable and had invested in competitive intelligence as a way of remaining competitive.

Table 2: Core Assumptions and Competitive Advantage

	Mean	Std. Dev
The industry in which the bank operates is very competitive	4.11	0.495
Our bank is competitive relative to other Kenyan banks in the market	3.89	0.824
Monitoring the competitors helps improve the bank’s decision making.	4.02	0.856
The bank expects its market to keep growing	4.01	0.702
The bank expects to stay ahead of competition on various strategic issues	4.00	0.894
Management expects the trends in the industry to remain stable	3.94	0.124

A high mean indicates that the respondents agreed with the statements and the low standard deviation indicated high clustering around the mean of the distribution. The results in Table 2 indicate that the industry in which the banks operate is very competitive (M=4.11; SD=0.494). Most respondents indicated that their banks were competitive relative to other banks in the market (M=3.89; SD=0.824). The respondents agreed that monitoring the competitors helps improve the bank's decision making (M=4.02; SD=0.856). The respondents expected their market to keep growing (M=4.01; SD=0.702) and to stay ahead of competition on various strategic issues (M=4.00; SD=0.894). Management expected the trends in the industry to remain stable (M=3.94; SD=0.124). The above statements have the value of means close to around 4.00; this implies that respondents agreed on the statements. The values of standard deviations on these statements are all less than 1. This implied that there was close agreement among the respondents on the ability of competitive intelligence activities to help verify core assumptions and to enable managers to quickly change a strategy if the core assumption of which it is grounded was found to have become invalid.

Verification of core assumptions was found to have a significant effect on competitive advantage among commercial banks in Kenya. These findings concur with Nwokah and Onduku (2009) who found a significant and positive association between verification of core assumptions and competitive advantage in corporate firms in Nigeria. The findings however contradict with May, Stewart and Sweo (2000) who found that both rate of change and the complexity of the environment did not have significant relationship with managers monitoring the validity of core assumption on which managers premised on while designing strategies.

Table 3: Regression Coefficients

	Unstandardized Coefficients		**Standardized Coefficients**		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	11.194	4.527		2.473	.021
Core Assumptions	0.472	.331	1.684	5.884	.000

The research hypothesis was tested at 95% level of confidence; if the p-value was less than 5%, the null hypothesis failed to be accepted. The hypothesis also stated that β=0, meaning that there was no relationship between the two variables as the slope was zero. The results in Table-3 shows that the p-value=0.000 which is less than 0.05, core assumptions had a β= 0.472 and a constant of β=11.194 which is significantly different from zero. This indicates that verification of core assumptions has a positive and significant effect on competitive advantage. The findings indicate that when verification of core assumptions is increased by 1-unit competitive advantage of commercial banks rises by 0.472 units. These findings concur with Ade, Akaninbi and Tubosun (2017) who found that verification of core assumptions influenced the competitive advantage of the diamond bank in Nigeria. The results of that study report a strong direct correlation between verification of core assumptions and competitive advantage. The findings further agree with those of Moneme, Nzwewi and Mgbemena (2017) in a study that examined the influence of competitive intelligence on product development of selected pharmaceutical firms in Anambra state in Nigeria. The study found that verification of core assumptions had a positive and a statistically significant influence.

The findings agree with Qiu (2008) found that proactive monitoring and scanning of the environment through the use of competitive intelligence strategic inputs would provide critical information on the effectiveness of strategies being implemented. The author states the information would enable management to better assess the strengths and weaknesses of their organization and subsequently lead to better achievement of competitive advantage. Nwokah and Onduku (2009) found a significant and positive association between verification of core assumptions and competitive advantage of corporate firms in Nigeria. The results show that there is a correlation between competitive intelligence and firm competitive advantage and enhanced firm competitiveness. This furthermore the findings agree with Heppes and Toit (2009) who found that competitive intelligence enhances the enterprises competitive advantage through better understanding of its competitive environment leading to improved strategic management and resultant competitive advantage.

Conclusions

Verification of core assumptions was found to have significant effect on competitive advantage among commercial banks. In today`s competitive global business environment, banks need the skills to translate cues in the competitive environment to enable them quickly verify the assumptions on which current strategies are premised. In the dynamic and changing competitive market, banks with a successful proactive competitive intelligence programme would respond more wisely and rapidly to changes in the markets and competition gain success and competitive advantage through the various strategies formulated in the longer term. In order to improve the firm’s competitive advantage there is need for a comprehensive understanding of the competitive situations in the business environment.

Recommendations

This paper recommends the adoption of competitive intelligence by the banks as it is a critical source of their competitiveness. Banks management should be continuously monitoring and verifying the core assumptions on which competitive strategies are grounded, and should quickly adjust or change a strategy if it be realized that the core assumptions on which it is premised has become invalid. The banks need to be continuously monitoring and verifying the core assumptions on which current strategies are grounded. The sooner management recognizes and reject the invalid assumptions the better as this would enable them to quickly change or adjust the strategy to reflect new reality and avoid damage in the marketplace. Bank managers should increase the frequency and scope of competitive intelligence activities that would enable them obtain critical information on the various core assumptions on which firm’s strategies are premised. Future studies should be carried out with a focus on other industries such as the insurance industry.

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