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**Journal of Human Resource and Leadership**
ISSN: 2789-5637
Vol. 5, Issue No. 1, pp 1- 23, 2023
www.edithcowanjournals.org

# Product Leadership and Competitive Advantage of Commercial Banks in Kenya

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**ARTICLE INFO**

***Article history:***
Received Date: 13th Spt, 2023

Revised Date: 115th October 2023

Accepted Date: 27th Nov 2023

***Keywords:***

*Product leadership*

*Competitiveness*

*Perceived value*

*Perceived quality*

*Product positioning*

*Product pricing*

*Reduction of costs*

*Neutralization of competitive threats*

*Exploitation of market opportunities*

JSM Classification: G20, O40

**Purpose:** Due to increased competition, the Kenyan banking system has had erratic performance in recent years. As a result, the major question is whether Kenyan commercial banks can use value disciplines to help them maintain their competitiveness. The study aimed to investigate the effect product leadership on competitiveness of Kenyan commercial banks.

**Methodology:**. The research used a descriptive research design. The study comprised of businesses rendering commercial banking services in Kenya. A non-probability method of sampling was utilized. Structured questionnaires were used as applicable. The study targeted all the 42 Kenyan commercial banks/lenders. The 42 commercial bank managers were targeted as the unit of observation and the 42 commercial banks as the unit of analysis. Since the population in the current study was small but adequate for study research, that is, 42, the study used a census survey (thus no sampling was done) and thus the targeted population were still the commercial banks. Questionnaires were the instruments of data collection. The SPSS application was used to help with this analysis (v.25.0). Descriptive analytics and inferential metrics were used to analyze the data. Charts, graphs, tables, diagrams, and illustrations were used to present the findings.

**Results:** The findings indicated that product leadership has a positive and significant relationship with the competitive advantage of Kenyan lenders ($\beta$ =0.359, p=0.000). This implies that gains in a single unit of product leadership result in a 0.359-unit shift in the competitive edge of Kenyan lenders.

**Contribution to policy and practice:** The study reveals a positive and significant connection between product leadership and the competitive advantage of Kenyan commercial banks/lenders. This suggests that banks that focus on developing innovative products, offering unique value propositions, and staying ahead in terms of product offerings are more likely to attain a competitive advantage. This finding contributes to knowledge by emphasizing the importance of product innovation and differentiation for achieving a competitive edge in the banking industry.

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ISSN: 2789-5637
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ISSN: 2789-5637
Vol. 5, Issue No. 1, pp 1- 23, 2023
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## INTRODUCTION

### 1.1 Background of the Study

The competitive landscape in today's market is constantly changing as more companies offer similar products and services. To thrive in this environment, organizations need to efficiently manage their overall strategic plans. This involves aligning their strategies with customer expectations and understanding the unique value they can provide to their specific consumer base (Potgieter & Roodt, 2004). Global competitive organizations rely on unique strategies and dynamic capabilities within their business models to gain a competitive advantage. Typically, organizations choose from three competitive strategies: cost leadership, differentiation, or focus (Porter, 1985). For instance, banks worldwide have invested significantly in improving their mobile wallet capabilities to enhance their front-office operations (Deloitte, 2018).

In emerging countries like China, achieving cost leadership is crucial for superior financial performance (Islami et al., 2020), a viewpoint shared by Onyango (2017). Companies operating in these regions must make strategic decisions that account for rapid change and structural differences in their markets. The effectiveness of these decisions varies based on market penetration levels, with foreign companies experiencing a greater impact on financial performance from cost and dual strategies compared to local producers. Additionally, differentiation strategies are more beneficial in markets with lower industry penetration levels (Islami et al., 2020). In Sub-Saharan Africa, technological advancements and financial innovations have been limited, making small businesses significant contributors to the economies of many African countries (World Bank, 2021). For example, Nigeria's financial sector has experienced substantial growth and increased competition due to deregulation. To maintain a competitive edge in this dynamic corporate landscape, investment in innovation is essential (Oghojafor, 2014).

#### 1.1.1 Product leadership as a competitive strategy

Product leadership as a competitive strategy aims to build a culture that continuously brings superior products to market. That is the creation of a product or services that is perceived throughout its industry as unique. Here product leaders achieve premium market prices thanks to the experience they create for their customers. Product leaders recognize that excellence in creativity, problem solving and teamwork is critical to their success. This reliance on expensive talent means that product leaders seek to leverage their expertise across geographical and organizational boundaries by mastering such disciplines as collaboration and knowledge management (Austine, 2020; Porter, 1985; Tanwar, 2013). The company can gain a higher competitive advantage compared to its competitors if it can provide a cheaper price than the price given by its competitors, of course with the same product value or quality. The lower selling price can be achieved by the company because it utilizes economies of scale, production efficiency, the technology used, ease of access to raw materials, and so on (Putra, 2018). A company can gain a higher competitive advantage compared to its competitors if it can provide a cheaper price than the price given by its competitors, of course with the same product value or quality. The lower selling price can be achieved by the company because it utilizes economies of scale, production efficiency, the technology used, ease of access to raw materials, and so on (Putra, 2018).

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Journal of Human Resource and Leadership
ISSN: 2789-5637
Vol. 5, Issue No. 1, pp 1- 23, 2023
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### 1.1.2 Competitive Advantage of Commercial Banks

Theoretically, Porter (1980) argues that firms compete with each other in international markets rather than as nations. Competitive advantage is the result of the difference between company value created for its consumers and the costs of producing it. Superior value is achieved by charging lower rates for equivalent benefits or by delivering distinctive advantages that outweigh higher pricing (Kiseľáková et al., 2018). This study will be anchored on dynamic capabilities theory, porters five forces theory, competitive advantage theory, theory of planned behaviour and dynamic capability theory to link and show how the commercial banks gain and maintain their competitive advantage given the value-disciplines strategy.

Therefore, competitiveness can be characterized as the capacity to convey products and services at the place, form, and time looked for by the proposed clients at costs on a par with or better than different providers while procuring at any rate opportunity costs on assets utilized. Likewise, other economists characterize competitiveness as the continued capacity to productively pick up and keep up a piece of the overall industry in homegrown or potentially unfamiliar business sectors. These definitions are reminiscent of the varying methodologies used to investigate seriousness. Seriousness is generally associated with the drawn-out presentation of enormous organizations and financial areas. One of the procedures investigates the competency approach which is a method of contemplating singular attributes prompting the achievement of an occupation job and subsequently to the capacity of an enterprise to accomplish its objectives (Ketels, 2016).

Competitive advantage is the benefit that a corporation has that guarantees it satisfies the demands of its consumers better or cheaper than its rivals (Hugh et al., 2000), hence developing and maintaining superior performance. The major issue in corporate strategy, particularly for multinational corporations, is how to maintain competitiveness in the long run. SCA (Sustainable competitive advantage) can be characterized as a long-term business strategy aim represented in competences, competencies, customer focus, dynamic strategy, invention, and management of systems (Momanyi, 2017).

Competition encourages managers to consistently improve their efficiency and quality, resulting in greater service delivery. Firms in a sector are always competing for market share and return on investment (ROI) (Porter 2010). The basics of developing a sustainable competitive advantage are dependent on the capabilities in which the firm is prepared to invest in order to maintain the shift in the macro-environment (Srivastava et al., 2013; Parida & Wincent, 2019). Therefore, it is imperative that sustainable competitive advantage ought to be built upon corporate capabilities. These capabilities (both tangible and intangible) defined in the dynamic capability theory need to be very unique to the competitors. Intellectual property rights (patents), exclusive licenses, and statutory monopolies-government government agencies are examples of tangible capabilities, whereas intangible capabilities include brand image, governance (leadership), skills and knowledge, team spirit, corporate culture, business process, and partnership, among others. (Momanyi, 2017).

An examination done by Okelo (2014) demonstrated that even though there is exceptional rivalry inside the monetary area, financial institutions can at present have an edge over different contenders. This advantage can be sustained through mobilization of funds internally, improvement on the delivery of service through adoption of modern technology, reduction of operation costs, training of staff on competence-based performance, improvement of governance and engaging in aggressive marketing. By use of a census approach Njoki (2015)

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ISSN: 2789-5637
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analyzed assessed application of competitive Strategies towards their performance. According to the findings, competitive tactics such resulted in favorable performance.

As a result, by making these skills dynamic and one-of-a-kind, a lasting competitive advantage may be obtained by constantly developing current and generating new capabilities and resources in reply to evolving commercial dynamics. Knowledge is the most essential value-creating asset in the modern economy. A firm operating in any industry must exhibit appropriate strategic behavior in order for them to remain competitive in a dynamic and competitive environment. There is therefore need for a firm to understand its external environment in totality and from this adopt appropriate strategies that will not only enhance its performance but give it sustained competitive advantage and maximize stakeholder value (Kung'u & Machuki, 2016). Porter (1998) defines competitiveness as the way a corporation performs in a certain industry; how a corporation might acquire a competitiveness by battling in a unique way with other firms in the industry. The essence of developing a competitive strategy is relating a firm to its environment. Porter also believes that corporations can use one of three generic tactics. A firm's competitive tactics should result in a competitive advantage.

Thus, competitive advantage has been operationalized and measured in terms of reduction of costs (1. Total expenditures are being reduced at a faster rate than rivals. 2. a greater decrease in operating expenditures than rivals 3. a greater decrease in total expenditures divided by revenue than competition 4. greater decrease of functioning expenditures divided by income than rivals), dilution of competitive challenges (1. dissolution of all potential rivalry 2. complete deactivation of all competitive pressures 3. deactivation of extra competitive pressures than present rivals) and manipulation of industry benefits 2. complete utilization of market possibilities 3. taking advantage of more marketplace possibilities than rivals) (Gleißner et al., 2013; Sigalas et al., 2013).

## 1.2 Statement of the Problem

The creation of sustainable competitive advantage is considered a fundamental feature critical in ensuring that competitiveness. Thus, in order to operate successfully in such a volatile and aggressive market, a business must implement positioning advantages that optimizes the value of customers/stakeholders (Mahdi & Nassar, 2021). However, due to intense competition, the Kenyan banking sector in the past few years has registered a fluctuating performance for instance on 4th May 2020, where the takeover of Imperial Bank 's holdings and assignment of obligations of Kshs 3.2 billion to KCB Corporation was authorized for mid-2020 (Cytonn, 2021).

Due to a higher increase in competition, smaller commercial banks have lost on their price, cost and market leadership. Following the closure of two money remittance providers in 2020, the number of outlets and agents reduced from 46 in 2019 to 41 and 47 in 2020, respectively (CBK, 2021). Some financial institutions' embrace of alternate delivery channels such resulted in the liquidation of branches in 2021, which was mostly due to the market's intense rivalry (CBK, 2021). Therefore, the main question is that, can the Kenyan commercial banks/lenders leverage the value discipline to help them sustain their competitiveness? That is how can value discipline translate to competitive advantage among Kenyan commercial banks/lenders?

There are a significant documentation in favor of value practice and competitiveness of Kenyan financial institutions. Regardless, some of the studies have been found to have several academic deficiencies while others showing no relationship and others showing conflicting results. Given the study by Muazu and Nashehu (2021), its drawback is its failure to present a

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ISSN: 2789-5637
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paradigm for quality management integration suited for Nigerian financial institutions as well as other scenarios. This therefore, presents a contextual gap. Due to the study design, Bag et al. (2020)'s study was restricted by the utilization of only primary data and a small number of participants, thus, presenting methodological gaps which bring out challenges in its generalizability to other contexts. Mulia et al. (2020) offers an extended TAM constructs to study the role of customer intimacy in increasing loyalty, however, it does not show the emphasis placed on competitiveness theories towards increasing loyalty, thus brings out a theoretical gap. Harcourt and Adiele (2020)'s study had a relatively small sample size which implies that the measurement instrument developed in this study need to be cross-validated in future research (this presented a methodological gap). Therefore, from the above examples of contextual, theoretical, and methodological gaps, the current study hypothesizes the following aims.

### 1.3 General Objective

The general objective of this study was to investigate the effect product leadership on competitiveness of Kenyan commercial banks.

### 1.4 Research Question

What is the effect of product leadership on competitive advantage of Kenyan commercial banks/lenders?

## LITERATURE REVIEW

### 2.1 Theoretical Review and Framework

Ajzen and Fishbein created the notion of reasoned action (1980). who proposed a link between attitude and behavior (the A-B relationship) (Ajzen, 1991). It is based on three principles: an individual's behavioral intents, attitude, and subjective norms, which impact their cognitive intentions and subsequently predict the actual execution of the observed behavioral response (Yzer, 2013). People with good attitudes about behavior, judgments of favorable subjective standards, and higher behavioral control are more likely to engage in the behavior. The opposite is true (Ajzen, 1991). The goal of TRA is to demonstrate the link between dispositions and behavior in a person's behaviors and also why people behave depending on sentiments and behavior (Ajzen & Fishbein, 1980).

Behavioural intention is defined as a person's motive or expectation to perform in a specific way. Attitude, encompasses various assumptions about the outcomes of carrying out the behavior, whereas subjective norm refers to the perceived cultural aspirations from various individuals and the urge to comply to these assumptions (Ajzen & Fishbein, 1980). The hypothesis, as per Pikkarainen et al. (2004), implies that people respond logically and acquire and evaluate information in a structured manner. It was also discovered that persons could analyze the danger of that activity and deliberate on their future moves depending on this logical strategic planning (Hale, Householder & Greene, 2002). Subjective norms are indeed influenced by perceptions; hence, a person's perceptions about other people 's aspirations and drive to meet them are dependent on their personal values.

The theory has excelled in its capability to explain whether individual behaviour such as the utilization of innovation is driven by behavioural intentions (Otieno, Liyala, Odongo & Abeka, 2016). It forms the basis for the firm to study the attitudes and behavioural intentions of the

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ISSN: 2789-5637
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customers which influences their intention to buy the products offered by the firm. The appropriateness of the theory relates to product leadership which influences the perceived value and perceived quality drawn by the customers. In other words, the perceived value and the perceived quality are relevant to the product's superiority (Santosa, 2016). The theory is instrumental in examining the customers' behaviour highlighting the ability of their choices towards the services and products being offered. The theory therefore, supports the effect of product leadership on competitive advantage of commercial banks.

**2.2 Product leadership and competitive advantage**

An evaluation of previous literature is a component of a sensible piece that integrates current facts, including relevant disclosures, as well as theoretical and procedural obligations to a certain issue. Writing audit utilizes discretionary sources and does not disclose fresh or unique preliminary work. The literature review is vital since it indicates how the suggested study is associated with the previous measures assessment (Cooper et al., 2018) It demonstrates the inventiveness and relevance of your research topic. It validates the stated viewpoint and demonstrates preparedness to complete the assessment. The review is a basic discourse and description of examined writing that is 'broad' and 'focused' on the specific location and theme of the investigation problem in light (Kuckertz & Brändle, 2021).

Islami et al. (2021) tried to quantify the product leadership and differentiation strategy execution to its competitive advantage in the SMEs culinary company. The strategy employed was a descriptive design. The findings show that cost leadership and differentiation have a positive and substantial influence on competitiveness, but the effect of product dominance and diversity on competitiveness is stronger. The study findings are not generalizable to Kenyan banking firms since they were based on the case of SMEs thus presenting a methodological and contextual gap.

Islami et al. (2020) wanted to know how Porter's general strategies (low-cost plan, brand dominance, focused differentiation, and focus technique) affected business productivity. Surveys were issued to 150 executives of businesses functioning in the Republic of Kosovo. According to the statistics, adopting differentiation strategy improves company performance more than two other Porter's generic approaches (low-cost approach or focus approach), both of which have a favorable influence. The study findings are not generalizable to Kenyan banking firms since they are based on the case of the republic of Kosovo thus presenting a contextual gap.

Santosa (2015) investigated if product leadership influences customer satisfaction. A sample of 100 respondents was selected using a judgment approach. The findings indicate that the linkages between brand supremacy and customer engagement, as well as brand equity and customer loyalty, are substantial. On the contrary, the association between service support excellence and brand equity, as well as the relationship between product dominance and customer satisfaction, is insignificant. According to the study, in order for a company to be a competing leader, it should pick product dominance, service supported quality, client - centric method, or a mix of these. The study focused on the case of Indonesian firms whose findings are not representative of the case of the case of financial sector in Kenya thus presenting a contextual gap.

Simiyu and Makhamara (2020) investigated the impact of constant improvement, leadership effectiveness, critical resources, and product leadership on competitiveness at G4S in Kenya.

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The research employed descriptive approach and addressed 540 G4s employees. The findings show that persistent innovation, leadership effectiveness, critical resources, and product uniqueness for leadership have a positive influence on G4S, Kenya's competitiveness. The study focused on G4S, Kenya whose findings are not representative of the case of the case of financial sector in Kenya thus presenting a contextual gap.

Samsir's (2018) study examined how leadership orientation affects the competitive advantage of small and medium enterprises (SMEs) in Indonesia. The study focused on 258 SMEs selling typical food products from Riau, located in Kepulauan Meranti Regency. The research found that a company's leadership perspective has a significant impact on the level of creativity within the organization. More effective leadership leads to higher levels of creativity, which in turn impacts competitiveness. However, the study's findings are limited to SMEs in the typical food product industry in Riau and Kepulauan Meranti Regency, and cannot be generalized to the financial sector in Kenya, highlighting a contextual gap.

### 2.3 Critique of the Literature and Research Gaps

The literature presented provides valuable insights into the relationship between product leadership and competitiveness in various contexts, but there are notable research gaps when considering its applicability to the Kenyan commercial banking sector. Here are the key critiques and identified research gaps:

Contextual Gap: Each of the cited studies examines the impact of product leadership on competitiveness in different industries and geographical locations (e.g., SMEs in culinary business in Kosovo, Indonesian firms, G4S in Kenya, typical food product SMEs in Riau). None of these studies directly address the Kenyan commercial banking sector. Therefore, there is a significant contextual gap in the literature, as the dynamics, customer behaviors, and competitive factors in the banking industry may differ substantially from those in other industries and regions.

Methodological Gap: The research methodologies employed in the cited studies vary, including descriptive designs, surveys, and sample sizes specific to their respective contexts. To draw meaningful conclusions about the impact of product leadership on competitiveness in Kenyan commercial banks, a study with a tailored research design, data collection methods, and a sample representing the banking industry's characteristics is needed. This would ensure the relevance and reliability of the findings.

Generalizability Gap: The studies often lack generalizability to the Kenyan banking sector due to their specific industry and geographical focus. Therefore, the findings from these studies cannot be directly applied to Kenyan commercial banks, highlighting a need for research that specifically addresses this sector to determine whether the observed relationships hold true within it.

Industry-Specific Factors: The banking industry is unique, with its own set of challenges, regulations, and customer expectations. Factors that influence product leadership and competitiveness in banking may differ from those in the culinary, security, or typical food product industries. Research needs to take into account the industry-specific factors that affect product leadership and competitiveness in Kenyan commercial banks. In summary, the literature review provides valuable insights into the relationship between product leadership and competitiveness, but there is a clear research gap when it comes to applying these findings to the Kenyan commercial banking sector. Future research should aim to address these gaps by

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conducting context-specific studies with relevant methodologies and samples to provide insights tailored to the banking industry in Kenya.

### 2.4 Conceptual Framework

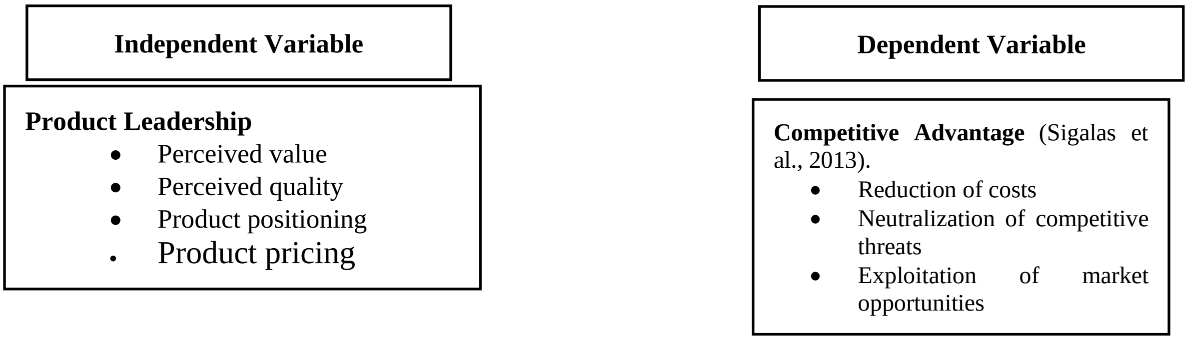


**Figure 1: Conceptual Framework**

## RESEARCH METHODOLOGY

The research used a descriptive research design. The study comprised of businesses rendering commercial banking services in Kenya. A non-probability method of sampling was utilized. Structured questionnaires were used as applicable. The study targeted all the 42 Kenyan commercial banks/lenders. The 42 commercial bank managers were targeted as the unit of observation and the 42 commercial banks as the unit of analysis. Since the population in the current study was small but adequate for study research, that is, 42, the study used a census survey (thus no sampling was done) and thus the targeted population were still the commercial banks. Pilot research was conducted to establish reliability and validity. This included four participants, reflecting 10 percent of the sample population (0.1*42). Questionnaires were the instruments of data collection. The replies were transcribed and qualitative methodology was employed. The SPSS application was used to help with this analysis (v.25.0). Descriptive analytics gathered summary data such as averages, and frequencies, whereas inferential metrics aided in determining the causative link between parameters. The study used the R2s, F values, and beta coefficients at 0.05 significance thresholds. Charts, graphs, tables, diagrams, and illustrations were used to present the findings.

## RESEARCH FINDINGS ANALYSIS AND DISCUSSION

### 4.1 Response Rate

Data was collected from different sectors of the organizations as displayed in Table 1.

**Table 1: Response Rate**

| Response | Counts | Percentage |
|---|---|---|
| Returned responses | 38 | 90.48% |
| Unreturned responses | 4 | 9.52% |
| **Total** | **42** | **100.00%** |

A total of 42 surveys were distributed, with thirty-eight completed and sent back, representing an eighty-four percent response rate. According to Agustini (2018), a reaction percentage of over fifty percent is suitable for statistical analysis. In a similar vein Babbie (2004) discovered

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ISSN: 2789-5637
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that a response rate of fifty per cent may be legitimate, sixty per cent is adequate, and seventy percent is exceptional. A response rate of 95.04 per cent in the present investigation is considered extremely good for consideration.

### 4.2 Descriptive analysis

Descriptive statistics was done to show the summary of the findings by including, counts, frequencies, mean and the standard deviation.

#### 4.2.1 Descriptive statistics regarding product leadership

The study sought to present the comparison in means, frequencies standard deviations and standard errors of the outcomes of product leadership of competitive advantage of Kenyan commercial banks/lenders.

**Table 2: Descriptive statistics regarding product leadership of competitive advantage of Kenyan commercial banks/lenders**

| Indicators | 1 | 2 | 3 | 4 | 5 | Mean | S D |
|---|---|---|---|---|---|---|---|
| 1. The leader I'm actually grading is critical in helping their groups to be successful in guiding product advancement. | 0% | 0% | 37% | 29% | 34% | 3.97 | 0.85 |
| 2. While addressing difficulties, the director I am assessing seeks out different points of view. | 0% | 5% | 26% | 11% | 58% | 4.21 | 1.02 |
| 3. The director I'm ranking is eager regarding what has to be done. | 0% | 0% | 11% | 61% | 29% | 4.18 | 0.61 |
| 4. Whenever achievement targets are met, the director I am evaluating lays out what could be expected. | 16% | 13% | 8% | 29% | 34% | 3.53 | 1.48 |
| 5. The director I am evaluating addresses people as a person instead of as a member of the group. | 0% | 5% | 8% | 39% | 47% | 4.29 | 0.84 |
| 6. The director I'm assessing thinks about the virtuous and humane implications of choices. | 11% | 11% | 8% | 39% | 32% | 3.71 | 1.31 |
| 7. The supervisor I am assessing exudes strength and assurance. | 13% | 5% | 47% | 11% | 24% | 3.26 | 1.27 |
| 8. My focus is drawn to shortcomings to achieve requirements by the person I am assessing. | 11% | 13% | 24% | 26% | 26% | 3.45 | 1.31 |
| 9. I am assessing the supervisor because they dislike implementing judgments. | 0% | 5% | 13% | 39% | 42% | 4.18 | 0.87 |
| 10. The facilitator I am ranking provides innovative approaches to completing work. | 3% | 11% | 26% | 37% | 24% | 3.68 | 1.04 |
| 11. The coach I'm assessing takes too long to answer to critical concerns. | 11% | 0% | 16% | 45% | 29% | 3.82 | 1.18 |
| 12. The director I am assessing stresses the necessity of a shared perception of purpose. | 8% | 16% | 21% | 32% | 24% | 3.47 | 1.25 |
| **Average mean** | | | | | | 3.81 | 1.09 |

*Given the rating of 5(five – agree/yes) – 1(one – disagree/not agreeing)*

Table 2 shows that 63% of the participants indicated that their leaders are critical in helping their groups to be successful in guiding product advancement. Likewise, 69% of the

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respondents indicated that while addressing difficulties, the director seeks out different points of view. Furthermore, 90% of the respondents indicated that their leaders are eager regarding what has to be done. Also, 63% of the respondents whenever achievement targets are met, their leaders lay out what could be expected. Likewise, 86% of the respondents indicated that their leaders address people as a person instead of as a member of the group. Likewise, 71% of the respondents indicated that their leaders think about the virtuous and humane implications of choices

Furthermore, 71% of the respondents indicated that their leaders are exude strength and assurance. Also, 52% of the respondents indicated that their focus is drawn to shortcomings to achieve requirements by their leaders. The table also shows that 81% of the respondents indicated that their leaders dislike implementing judgments. Likewise, 61% of the respondents indicated their leaders provide innovative approaches to completing work. Furthermore, 74% of the respondents indicated that their leaders take too long to answer to critical concerns. The table also shows that 56% of the respondents indicated that their leaders stress the necessity of a shared perception of purpose.

Therefore, as a competitive strategy, product leadership focuses on creating a culture in which your organization consistently produces excellent goods to the market. This technique lets your organization to reach premium market pricing by providing consumers with a one-of-a-kind experience. Creativity, problem solving, and cooperation are critical success elements in this technique. The findings corroborate those of Islami et al. (2021) that cost leadership and differentiation have a positive and substantial influence on competitiveness, but the effect of product dominance and diversity on competitiveness is stronger. Islami et al. (2020) stated that adopting differentiation strategy improves company performance more than two other Porter's generic approaches (low-cost approach or focus approach), both of which have a favorable influence. Simiyu and Makhamara (2020) also show that persistent innovation, leadership effectiveness, critical resources, and product uniqueness for leadership have a positive influence on G4S, Kenya's competitiveness. Samsir (2018) discovered that leadership perspective has a major impact on creativity. Higher levels of governance will lead to greater levels of creativity. Innovation has a tremendous impact on competitiveness.

### 4.2.2 Descriptive statistics regarding competitive advantage of commercial banks

The study sought to present the comparison in means, frequencies standard deviations and standard errors of the outcomes of competitive advantage of Kenyan commercial banks/lenders.

**Table 3: Descriptive statistics regarding competitive advantage of Kenyan commercial banks/lenders**

| Statements | 1 | 2 | 3 | 4 | 5 | Mean | S D |
|---|---|---|---|---|---|---|---|
| 1. This industry has a large range of current and potential rivals. | 0% | 0% | 39% | 50% | 11% | 3.71 | 0.65 |
| 2. This industry has a lot of price flexibility. | 0% | 0% | 5% | 45% | 50% | 4.45 | 0.60 |
| 3. There are often numerous identical items in the marketplace. | 5% | 11% | 13% | 29% | 42% | 3.92 | 1.22 |
| 4. Do you believe that, in contrast to rivals, client demands for brand modifications should be pursued? | 0% | 0% | 42% | 26% | 32% | 3.89 | 0.86 |

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ISSN: 2789-5637
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| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 5. | Clients in the developing markets find our goods extremely appealing. | 0% | 5% | 21% | 11% | 63% | 4.32 | 0.99 |
| 6. | The firm is equipped to respond quickly to marketplace developments in an international intended audience. | 0% | 0% | 16% | 53% | 32% | 4.16 | 0.68 |
| 7. | There's a higher danger of compromising competitiveness gained via partnership with other organizations. | 5% | 16% | 0% | 61% | 18% | 3.71 | 1.11 |
| 8. | At the moment of entering the market or technique shift, there's really rapid marketplace development in the intended region. | 0% | 0% | 11% | 8% | 82% | 4.71 | 0.65 |
| 9. | This market segment has a large variety of prospective buyers. | 0% | 0% | 21% | 55% | 24% | 4.03 | 0.68 |
| 10. | This industry has a large commercial opportunity. | 0% | 11% | 29% | 42% | 18% | 3.68 | 0.90 |
| 11. | Is there a large variety of current and potential rivals in this industry? | 0% | 0% | 24% | 53% | 24% | 4.00 | 0.70 |
| 12. | This industry has a lot of price flexibility. | 0% | 11% | 29% | 45% | 16% | 3.66 | 0.88 |
| 13. | At the moment of market introduction, the company entity faces several impediments to business access. | 11% | 11% | 18% | 18% | 42% | 3.71 | 1.39 |
| 14. | Compared to the domestic economy, this industry has a comparable client demand | 18% | 18% | 11% | 16% | 37% | 3.34 | 1.58 |
| **Average mean** | | | | | | | **3.95** | **0.92** |

*Given the rating of 5(five – agree/yes) – 1(one – disagree/not agreeing)*

Table 3 shows that 61% of the participants indicated that the banking industry has a large range of current and potential rivals. Likewise, 95% of the respondents indicated that the banking has a lot of price flexibility. Furthermore, 71% of the respondents indicated that there are often numerous identical items in the marketplace. Also, 58% of the respondents believe that, in contrast to rivals, client demands for brand modifications should be pursued.

Likewise, 74% of the respondents indicated that clients in the developing markets find our goods extremely appealing. Likewise, 85% of the respondents indicated that the firm is equipped to respond quickly to marketplace developments in an international intended audience. Furthermore, 79% of the respondents indicated that There's a higher danger of compromising competitiveness gained via partnership with other organizations. Also, 90% of the respondents indicated that at the moment of entering the market or technique shift, there's really rapid marketplace development in the intended region.

The table also shows that 79% of the respondents indicated that this market segment has a large variety of prospective buyers. Likewise, 60% of the respondents indicated the banking has a large commercial opportunity. Furthermore, 77% of the respondents indicated that there is a large variety of current and potential rivals in this industry. Also, 61% of the respondents indicated that the banking has a lot of price flexibility. Also, 60% of the respondents indicated

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that at the moment of market introduction, the company entity faces several impediments to business access. The table also shows that 53% of the respondents indicated that compared to the domestic economy, this industry has a comparable client demand.

The results indicate that banks can distinguish themselves from their rivals by offering distinct and superior value to their customers, which gives them a competitive edge. This advantage allows the bank to outperform its competitors and generate greater profits. Banks may attribute their competitive edge to lower-priced products or services, high-quality offerings, or a unique selling proposition that appeals to a large number of customers. Having a competitive advantage attracts the interest of the bank's target market, resulting in increased sales.

The findings corroborate prior findings that stated that superior value is achieved by charging lower rates for equivalent benefits or by delivering distinctive advantages that outweigh higher pricing (Kiseľáková et al., 2018). Therefore, competitiveness can be characterized as the capacity to convey products and services at the place, form, and time looked for by the proposed clients at costs on a par with or better than different providers while procuring at any rate opportunity costs on assets utilized (Ketels, 2016). Competition encourages managers to consistently improve their efficiency and quality, resulting in greater service delivery.

### 4.3 Correlation Analysis

This measure of association was done using the Pearson correlation coefficient denoted by **r**.

**Table 4: Association/Correlation between value disciplines and competitive advantage of Kenyan commercial banks/lenders**

| Correlations | | Competitive Advantage | Product Leadership |
|---|---|---|---|
| Competitive Advantage | R<br>P-value | 1 | |
| Product Leadership | R<br>P-value | .758**<br>0.000 | 1 |

According to Table 4, there is a directional and substantial/significant association (r=0.652**, p=0.000) amongst operational excellence and Kenyan commercial banks' competitive edge. Muazu and Nashehu (2021) also acknowledges that operations management improves financial institution delivery of services, consumer experience, purchase price and effectiveness, a considerable increase in income and profitability, and gives banks competitiveness. Bag et al. (2020) also reveal that data analysis managerial competencies have a significant impact on the creation of new green products and the sustainability of supply chain outcomes.

The results further show that customer intimacy and the competitive advantage of Kenyan commercial banks/lenders have a directional and substantial/significant association (r=0.634**, p=0.000). Mulia et al. (2020) also acknowledges that customer satisfaction influences not just the establishment of customer devotion, but also the criteria that influence customer allegiance, such as perceived utility, perceived benefits, risk perception, trustworthiness, sharia compliance, and contentment. Harcourt and Adiele (2020) also demonstrated that the qualities of client satisfaction had a positive influence on customer loyalty. According to the study, client connection adds greatly to customer retention via trustworthiness and dedication. Nora (2019) along the same vein, discovered that having a high level of consumer awareness might lead to increased client satisfaction, which leads to

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increased buy back desire. According to the mediation test, excellent client awareness, backed up by greater consumer empathy, can indirectly promote high buying back willingness.

The results further show that product leadership and the competitive advantage of Kenyan commercial banks/lenders have a directional and substantial/significant association (r= 0.758**, p=0.0.00). Islami et al. (2021) also acknowledges that cost leadership and differentiation have a positive and substantial influence on competitiveness, but the effect of product dominance and diversity on competitiveness is stronger. Islami et al. (2020) stated that adopting differentiation strategy improves company performance more than two other Porter's generic approaches (low-cost approach or focus approach), both of which have a favorable influence. Simiyu and Makhamara (2020) also show that persistent innovation, leadership effectiveness, critical resources, and product uniqueness for leadership have a positive influence on G4S, Kenya's competitiveness. Samsir (2018) discovered that leadership perspective has a major impact on creativity. Higher levels of governance will lead to greater levels of creativity. Innovation has a tremendous impact on competitiveness.

**Relationship between value disciplines and competitive advantage of Kenyan commercial banks/lenders**

**Table 5: Fitness model for Product Leadership**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .758a | 0.574 | 0.562 | 0.169 |

In this model (Table 5), R-squared was 0.574, which means that approximately 57.4% of the variability in competitiveness can be explained by product leadership. This is a relatively high R-squared value, indicating that product leadership has a substantial impact on competitiveness. The adjusted R-squared value takes into account the number of predictors (independent variables) in the model and adjusts the R-squared value accordingly. In this case, the adjusted R-squared is 0.562. It's similar to R-squared but penalizes the inclusion of unnecessary variables in the model. The adjusted R-squared is slightly lower than R-squared, which suggests that adding product leadership as a predictor improved the model's fit, but not significantly.

Overall, based on these results, it appears that there is a statistically significant and moderately strong positive relationship between product leadership and the competitiveness of Kenyan commercial banks. Product leadership explains a significant portion of the variability in competitiveness, as indicated by the relatively high R-squared value. However, it's important to consider other factors and potential limitations of the study when interpreting and applying these results in practice. Additionally, further analysis and interpretation of coefficients and p-values for individual predictors may provide more insights into the specific effects of product leadership on competitiveness.

The findings agree with Muazu and Nashehu (2021) that operations management improves financial institution delivery of services, consumer experience, purchase price and effectiveness, a considerable increase in income and profitability, and gives banks competitiveness. Nora (2019) along the same vein, discovered that having a high level of consumer awareness might lead to increased client satisfaction, which leads to increased buy back desire. According to the mediation test, excellent client awareness, backed up by greater consumer empathy, can indirectly promote high buying back willingness. Islami et al. (2020) stated that adopting differentiation strategy improves company performance more than two

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other Porter's generic approaches (low-cost approach or focus approach), both of which have a favorable influence. Simiyu and Makhamara (2020) also show that persistent innovation, leadership effectiveness, critical resources, and product uniqueness for leadership have a positive influence on G4S, Kenya's competitiveness.

**Table 6: ANOVA for Product Leadership**

| | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 1.383 | 1 | 1.383 | 48.515 | .000b |
| Residual | 1.026 | 36 | 0.029 | | |
| Total | 2.409 | 37 | | | |

Likewise, ANOVA proved that there is a statistically proven interaction with the value disciplines and the competitiveness of Kenyan Banks (F= 48.515, p=0.000).

**Table 7: Model Coefficients (β) for Product Leadership**

| Variable | β | Std. Error | Beta | t | Sig. |
|---|---|---|---|---|---|
| (Constant) | 0.276 | 0.371 | | 0.743 | 0.462 |
| Product Leadership | 0.359 | 0.098 | 0.411 | 3.673 | 0.001 |

From the regression of coefficients, it was confirmed that product leadership has a directional/positive and statistically significant connection with competitiveness of Kenyan Banks (**β**=0.359, p=0.000). Islami et al. (2021) also noted that cost leadership and differentiation have a positive and substantial influence on competitiveness, but the effect of product dominance and diversity on competitiveness is stronger. Islami et al. (2020) stated that adopting differentiation strategy improves company performance more than two other Porter's generic approaches (low-cost approach or focus approach), both of which have a favorable influence. Simiyu and Makhamara (2020) also show that persistent innovation, leadership effectiveness, critical resources, and product uniqueness for leadership have a positive influence on G4S, Kenya's competitiveness. Samsir (2018) discovered that leadership perspective has a major impact on creativity. Higher levels of governance will lead to greater levels of creativity. Innovation has a tremendous impact on competitiveness.

The model is thus empirical as shown below:

$$Y= 0.276 + 0.359X + e$$

Where:

Y= Competitiveness/competitive advantage

X= Product leadership

e = Error value

## SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Summary of the Findings

From the descriptive results, it was revealed that that banks can distinguish themselves from their rivals by offering distinct and superior value to their customers, which gives them a competitive edge. This advantage allows the bank to outperform its competitors and generate greater profits. Banks may attribute their competitive edge to lower-priced products or services, high-quality offerings, or a unique selling proposition that appeals to a large number of customers. Having a competitive advantage attracts the interest of the bank's target market,

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resulting in increased sales. The correlation matrix revealed a linear notable relationship between product leadership and the competitive edge of Kenyan lenders (r= 0.758**, p=0.0.00). Similarly, the outcomes of the coefficient regression suggested that product leadership has a linear and considerable/significant relationship with the competitive advantage of Kenyan lenders (**β** =0.359, p=0.000). This implies that gains in a single unit of product leadership result in a 0.359-unit shift in the competitive edge of Kenyan lenders.

### 5.2 Conclusion of the study

The research provides strong evidence that product leadership has a positive and significant impact on the competitive advantage of lenders in Kenya. This strategy has helped reduce costs, counter competitive threats, and capitalize on market opportunities, all contributing to the lenders' competitive advantage in Kenya. Leadership is also key in influencing firm performance. Leaders are critical in helping their groups to be successful in guiding product advancement. That is the development of a product or service that is recognized as unique in its sector. Product figureheads acquire premium market pricing as a result of the experience they provide to their clients. Product figureheads understand that innovation, problem solving, and cooperation are crucial to their success. Because of this reliance on expensive people, product leaders aim to utilize their experience across territorial and corporate barriers by understanding aspects such as teamwork and organisational learning.

### 5.3 Recommendations of the study

The study recommends several strategic actions for Kenyan commercial banks based on the findings that highlight the significant positive impact of "Product Leadership" on competitiveness. Firstly, the study advises banks to prioritize investments in product innovation, fostering a culture of continuous improvement and differentiation. To achieve this, a customer-centric approach is recommended, entailing a deep understanding of customer needs and feedback. The study also underscores the importance of ongoing market research and competitive analysis to identify market gaps and opportunities for product differentiation. Additionally, the study suggests nurturing talent through training and cross-functional collaboration while embracing technology integration to enhance banking services. Effective marketing and communication strategies, showcasing innovations and customer successes, should be employed. Moreover, establishing a robust customer feedback loop, conducting competitive benchmarking, and forming strategic alliances can contribute to maintaining product leadership. Lastly, while pursuing innovation, banks should prioritize robust risk management and compliance with regulations to ensure sustainable growth and competitiveness. Monitoring and evaluating the performance of new products and services is also recommended to adapt strategies to changing market dynamics and customer expectations.

### 5.4 Acknowledgement

I am highly indebted to my supervisor. Dr. Abel Anyieni for his valued guidance and wells of knowledge in developing this study proposal. He has been playing a pivotal role in providing guidance towards my project which is highly appreciated. I wish also to extend my appreciation to Ms. Margaret C'okumu the coordinator Kenyatta University Kisumu campus for her academic contribution and support in my coursework and project process. I also acknowledge the professional advice of my mentor Allan Jumba which has significantly impacted on the success of this research project. I would also like to acknowledge the support of my family members, my beloved wife Goretty, sons Allan Promise and Isaac Newton for their

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**Journal of Human Resource and Leadership**
ISSN: 2789-5637
Vol. 5, Issue No. 1, pp 1- 23, 2023
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psychological assistance and motivation throughout my studies. To my MBA comrades at Kenyatta University, you have been a pillar in material and information support. Above everything else, I appreciate the Almighty God for providing endurance, resilience and encouragement during my learning process. To God be the Glory.

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ISSN: 2789-5637
Vol. 5, Issue No. 1, pp 1- 23, 2023
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