



**ST. MARY'S UNIVERSITY
SCHOOL OF POST GRADUATE STUDIES**

**Assessment of Competitive Strategy Formulation and Implementation
Practices of Private Banks in Ethiopia: The Case of United Bank S.C**

BY:

**TEKESTEBIRHAN MENGESHA
(ID NO: SGS/0448/2007A)**

ADVISOR: TIRUNEH LEGESSE (ASST. PROFESSOR)

**June, 2016
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ASSESSMENT OF COMPETITIVE STRATEGY FORMULATION AND
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BY
TEKESTEBIRHAN MENGESHA CHUFA
ID NO: SGS/0448/2007A

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TEKESTEBIRHAN MENGESHA

APPROVED BY BOARD OF EXAMINERS

_____	_____	_____
Chairman, Graduate Studies	Signature	Date
_____	_____	_____
Research Advisor	Signature	Date
_____	_____	_____
Internal Examiner	Signature	Date
_____	_____	_____
External Examiner	Signature	Date

DECLARATION

I hereby declare that this research is my own original work towards the Masters of Business Administration- General Management and has not been submitted for any degree in this University or any other University. I also assure that all source of materials used for the study have been appropriately acknowledged. I have conducted this research independently under the guidance of my advisor, Tiruneh Legesse (Asst. Professor).

Name of Researcher: Tekestebirhan Mengesha

Signature: _____

June, 2016

ENDORSEMENT

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

Name of advisor

Signature

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List of Abbreviations

AIDB-Agricultural and Industrial Development Bank
ATM-Automated Teller Machine
BLMT-Broadband Local Money Transfer
BODs-Board of Directors
CBE-Commercial Bank of Ethiopia
EBL- Equity Bank Limited Kenya
EPRDF- Ethiopian People's Revolutionary Democratic Front
GCB-Ghana Commercial Bank Limited
GTP- Growth and Transformation Plan
IFB- Interest Free Banking
I/O -Industrial Organization
ISHOPA- Imperial Savings and Home Ownership public Association
NBE- National Bank of Ethiopia
POS-Point of Sale
RBV- Resource Based View
R&D- Research and Development
ROE - Return on Equity
S.C - Share Company
SPSS-Statistical Package for Social Science
SWOT-Strength, Weakness, Opportunity, and Threat
UB- United Bank S.C

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ABSTRACT

In the earlier time, business has been traditionally operated relatively in a stable environment. But, nowadays business environment become highly competitive and more dynamic. To cope with such stiff competition, firms must pursue strategies that fit their resource and the environment. This is also true to banking industry in Ethiopia. This study was conducted to examine competitive strategy formulation and implementation practices in private banks in Ethiopia the case of United Bank S.C. The study applied descriptive research design to describe the existing circumstances of the strategies adopted by the bank. Non-probability sampling which is called judgmental or purposive sampling technique was applied. While selecting sample size, researcher took 32 respondents from employees of United Bank, 16 managerial and 16 non-managerial staffs. While selection, adequate knowledge of respondents have been focused. Hence, researcher gathered data by focusing on management staffs (executive managements, department managers, branch managers) and non-management staffs (professional officers from different head quarter departments). The study used both primary and secondary data. Primary data is collected by distributing questionnaires and interview instruments and secondary data were collected from company profile, annual reports, newsletters and internal records of the bank. Data analysis has been made by SPSS 20 version software. The results of the study indicated that United Bank has been following combined competitive strategies of cost leadership, differentiation and focus strategies. The study also found out that competitive and economic factors are main external factors whereas human resource factors, 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. The study also found out challenges United Bank faced in implementing its competitive strategies. Out of these challenges rise in costs associated with its services and complexity in needs of customers are the hardest ones. Based on the conclusions of the study, the researcher recommended that the bank should be flexible enough to respond immediately to changes in environment, it should construct its own building for branch office, and it should work on to improve its structure and management style to be participatory. Besides, NBE should strengthen its supervision to ensure existence of fair competition in the banking industry in Ethiopia.

Keywords: Private Banks, Competitive Strategy Formulation and Implementation

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to Bruner (2003), strategy can be defined as the determinate of the fundamental long term goals of a firm, and the adoption of courses of action and the allocation of resources required for execution of these goals. According to Mintzberg (1978) strategy is a mediating force between the organization and its environment and has to be consistent with streams of organizational decisions to deal with the environment. Porter (1996) equally defines strategy as being different from your competitors in the industry. 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. Thenmozhi (2010) 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 favor. Therefore, strategist must seek to position his or her firm to take competitive advantage within the industry though developing necessary strategies (Porter, 1985)

Porter (1980) argued that a firm can achieve a higher level of performance over a rival in one of two ways: either it can supply an identical product or service at a lower cost (cost advantage), or

it can supply a product or service that is differentiated in such a way that the customer is willing to pay a price premium that exceeds the additional cost of the differentiation (differentiation advantage). Competitive advantage is defined as when two or more firms compete within the same market, one firm possesses a competitive advantage over its rivals when it earns or has the potential to earn a persistently higher rate of profit. However, superior profitability is not the only competitive advantage but also achieving specific business market share, technology, customer service & loyalty, employee hire & retention, executive perks/bonus, robust and simplified process are also considered as competitive advantages. On the other hand, another modern aspect of competitive advantage is firm's ability to respond towards external and internal impacts. A quick reply against the impacts on firm will make the firm to take any of competitive advantage against rivals (Barney, 1997).

1.2 Statements of the Problem

In the earlier time, business has been traditionally operated relatively in a stable environment. But, nowadays business environment become highly competitive and more dynamic due to various reasons, like technological advancement, globalization, country's economic development, customers' demand for availability and quality products (goods or services), and firm's business experience and other factors. (Reynolds, 2011)

As a result, many companies have designed different kinds of competitive strategies to take advantages over their rivals. Accordingly some of them followed cost leadership strategies while others would follow product and service differentiations or focused strategy (Porter, 1985). In the banking industry, increased competition threatens the attractiveness of the industry and reduces the profitability of the players in the sector. It exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment (Johnson & Scholes, 1999). As a result, banks are focusing on gaining competitive advantages that enable them to compete effectively in the market and win their rivals through identifying their core competences (internally) and analyzing external environments (Pearce & Robinson, 2005). In addition to winning their rivals, businesses need quickly review of their strategies and formulate new competitive strategies that fit their resources and environment in which they are operating for survival.

In Ethiopia, 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 also 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. To cope with such stiff competition, different banks are following different approaches to remain competitive position. Moreover, if Ethiopian government permits foreign banks to enter and operate in the country which are highly competent in international market with standardized competitive strategies like cost leadership strategies, differentiation strategies, focused cost leadership strategies and focused differentiation strategies, how the local private banks can compete with them? Even, if there would be other emerging banks with having interesting (different) strategies internally how they can avail themselves in the market? (Source: www.ethiopianbankers.com)

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 strategic issues pursuing by private banks to cope with competition in Ethiopia and other related issues motivate the researcher to do a research on the given topic in a given industry to provide conclusion and recommendations on the findings obtained.

1.3 Research Questions

The study seeks to answer the following questions:

- What kinds of strategies are being adopted by United Bank to cope with competition in the industry?
- To what extent the current strategies being adopted by United Bank are capable for achieving competitive advantage in the industry?
- What are external factors that influence the choice of competitive strategies United Bank?
- What are internal factors that influence the choice of competitive strategies United Bank?
- How competitive strategies are being formulated and implemented by United Bank S.C?
- What are the challenges that United Bank faced in implementing competitive strategies?

1.4 Objectives of the Study

1.4.1 General Objective

This research was conducted to examine the competitive strategy formulation and implementation practices of private banks in Ethiopia in general and of United Bank in particular to survive and to gain competitive advantage in the industry.

1.4.2 Specific Objective

Specific objectives of the study 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 factors that influence the choice of competitive strategies of United Bank;
- To identify internal factors that influence the choice of competitive strategies of United Bank;
- To evaluate formulation and implementation of competitive strategies by United Bank.
- To determine the challenges United Bank faced in implementing the competitive strategies.

1.5 Significance of the Study

Findings of the study clearly 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. The result of study also showed strength and weakness on strategy formulation and implementation practices of United Bank S.C. 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. Moreover, the results of the study provided the chance to all private banks operating in Ethiopia to evaluate and review their competitive strategy practices comparing with the results of study. 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. This can in turn contribute to the development of the country. In addition to the practical significance of the study, this study can also be considered as a useful reference for other academicians or researchers who need to conduct study on the same research topic.

1.6 Scope of the Study

The study is delimited to assessment of competitive strategies formulation and implementation practices of United Bank S.C. The research was limited to United Bank S.C. Hence, the conclusions drawn from the finding merely reflects the current competitive strategies practices of private banks in Ethiopia. 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 since most of the decisions have been made at the head office and manager of those branches which are located in Addis Ababa are members of management meeting. 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, trade finance/international banking department and

branch co-ordination/operations 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

This research paper has five chapters. Chapter one covers introduction which included background of the study, statement of the problem, objectives of the study, significance of the study, scope of the study and organization of the study. Chapter two is entirely dedicated to literature review. Chapter three presented research methodology. Chapter four incorporates data analysis, findings of the research and discussions. Finally, conclusions, recommendations, and limitations and suggested areas for further research are discussed under chapter five.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Literature Review

This research had been assessed based on theoretical and practical literature reviews which are fascinating in doing research. Accordingly researcher reviewed the following theoretical reviews.

2.1.1 Concept of Strategy

The word strategy comes from the Greek word “Strategos” which refers to military generalship or leading and combines “stratos” (the army) and “ago” (the lead). The history of strategic planning has its foundation in, and is a heritage of the military (David, 2003). The Webster’s New World Dictionary alludes to this militarism, defining strategy as the science of planning and directing large scale military operations of maneuvering forces into the most advantageous position prior to actual engagement with the enemy. Obviously, the main purpose of both business and military strategy is to gain competitive advantage or combat superiority over competitors as the case may be. After the II World War in 1945, the concept of strategy became more relevant as business firms moved from relatively stable to more volatile and competitive environments. These rapid changes in the environment were attributed to application of science and technology in management of firms and accelerated change derived from within business firms. Many authors including Michael porter have written about the concept of strategy since its inception (Bracker, 1980). Different authors provide definitions of strategy. Accordingly, Bruner (2003) defines strategy as the determinate of the basic long term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Mintzberg (1978) defines strategy as a mediating force between the organization and its environment and has to be consistent with flows of organizational decisions to cope with the environment. Porter (1996) uniformly defines strategy as being different from your competitors in the industry. He further argues that it involves deliberately choosing a different set of activities to deliver a unique mix of value to the organization.

2.1.2 Levels of Strategies

Thenmozhi (2010) indicates that there are three levels of strategies. These are corporate level strategy, business level strategy, and functional level strategy. Corporate strategy depicts a company's overall scope and direction in terms of its general attitude toward growth and the management of its various businesses and product lines. Corporate strategies usually fit within the three main categories of growth, stability, and retrenchment. 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. Competitive strategies and cooperative strategies are the two types of Business strategies. Functional Strategy is the approach taken by a functional area to achieve corporate and business unit objectives and strategies by maximizing resource productivity. This is concerned with developing and nurturing core competence to provide a company with a competitive advantage. Examples of research and development (R&D) functional strategies are technological followership (imitation of the products of other companies) and technological followership.

2.1.3 Concept of Competition

Competition is the rivalry among sellers trying to achieve such goals increasing profits, market share, and sales volume by varying the elements of the marketing mix: price, product, distribution, and promotion. As cited in Wikipedia encyclopedia, Mariam-Webster defines competition in business as "the effort of two or more parties acting independently to secure the business of a third party by presenting the most favorable terms." Competition, accordingly to the microeconomic theory, causes commercial/business firms to develop new products, services provision mechanisms and technologies, which would give customers greater selection and better products. The greater selection typically causes lower prices for the products, compared to what the price would be if there was no competition (monopoly) or little competition (oligopoly), Wikipedia, the free Encyclopedia. However, competition in this case would consider the profit margin, credit, deposits and customer base. Competition is at the heart of the success or failure of firms. Competitors decide the appropriateness of a firm's activities that can contribute to its performance, such as innovations and cohesive culture. Wheelen and Hunger (2006) define

competitors as firms that offer the same, similar, or substitutable products or services within an industry in which they operate.

2.1.4 Strategic Management Process

A firm's entire strategic management activities ranging from external environmental scanning (general environment as well as industry analysis) and internal key factors, formulation of appropriate strategy, implementation of the formulated strategy, and evaluation and control of these strategies to achieve the planned goal.

2.1.4.1 Environmental Scanning

There are two types of environments to be scanned to formulate and implement strategies. These are external and internal environment.

A. External Environment Scanning

According to David (2011), external environment is a type of environment that affects the company's performance either directly or indirectly and includes political, economic, technology, socio-cultural, demography, legal, natural physical resources, Porter's competitive forces and competitors' analysis. We can see these types of environment one by one as follows:

I. General Environment Scanning

An environmental scanning (industry analysis) focuses on identifying and evaluating trends and events beyond the control of a single firm. These are also called external forces and they can be divided into five broad categories:

1) Economic forces: example shift to industrial economy, availability of credit, availability of foreign currency, interest rate, inflation rate, import/export factors, monetary and fiscal policies, price fluctuations, and foreign countries economic condition etc

2) Social, cultural, demographic, and natural environment forces: social security programs, location of retailing, manufacturing and service businesses, attitude towards saving, attitude towards investing, energy conservation, social programs and average level of education and the like.

- 3) Political, governmental, and legal forces: government regulations and deregulations, import-export regulations, change in tax laws, special tariffs, elections (local, state and national),
- 4) Technological forces: 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.
- 5) Competitive forces: Collecting and evaluating information on competitors is essential for successful strategy formulation. Identifying major competitors is not always easy because many firms have divisions that compete in different industries.

An environmental scanning/external audit reveals key opportunities and threats confronting a firm so that managers can formulate strategies to take advantage of the opportunities and neutralize or minimize the impact of threats.

II. Porter's Competitive Forces

Michael Porter's competitive forces model is the most well-known framework for analyzing competitiveness in every industry. It has been used to formulate strategies for firms to enhance their competitive edge. 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.

a. The Threat of Entry of New Competitors: Whenever new firms can easily enter a particular industry, the intensity of competitiveness among firms increase. However, barriers to entry can include the need to gain economies of scale quickly, the need to gain technology and specialized know-how, the lack of experience, strong customer loyalty, strong brand preferences, huge capital requirements, lack of adequate distribution channels, government regulatory policies, tariffs, lack of access to raw materials, possession of patents, undesirable locations, counterattack by well-established firms, and potential saturation of the market.

b. The Bargaining Power of Suppliers: Industry suppliers often control vital inputs that can affect a firm's ability to compete. Access to critical equipment, materials, or components can

determine what firms will lead the industry. For this reason, increased outsourcing often guides to lower entry barriers for new competition.

c. The Bargaining Power of Customers (Buyers): The size and significance of customers give the power to negotiate prices and deals that decrease the profitability of the industry. The size and growth of segments determine their potential influence on product development and level of competition.

d. The Threat of Substitute Products or Services: market structure of the industry through the substitution of products or services with alternative approaches to satisfying the customer's needs. This requires the identification of potential substitutes and the characteristics that would cause rapid substitution. Price often becomes a driver for substitutes, such as plastics for metals in cars and plumbing supplies. Today, the Internet is becoming a substitute for mail service and, eventually, telephone service.

e. The Rivalry among Existing Firms in the Industry: 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.

B. Internal Factor Assessment (Strength-Weakness)

According to David (2011), systematic methodologies for conducting strength-weakness assessments are not well developed in the strategic-management literature, but it is clear that strategists must discover and evaluate internal strengths and weaknesses so as to effectively formulate and choose among alternative strategies. SWOT Analysis is a strategic development tool that matches internal organizational strengths and weaknesses with external opportunities and threats. SWOT is an acronym for the organization's Strengths, Weakness, Opportunities and Threats. It is based on the assumption that if managers carefully review such strengths, weaknesses, opportunities and threats, a useful strategy for ensuring organizational success will become evident to them.

2.1.4.2 Strategy Formulation

Once the managers engaged in the strategic management process have finalized analysis the environment and determined organizational direction by crafting the organization's mission and objective, they are ready to formulate strategy. Strategy formulation is the process of determining appropriate courses of action for achieving organizational objectives and thereby accomplishing organizational purpose. Managers formulate strategies that reflect environmental analysis, lead to fulfillment of organizational mission, and result in reaching organizational objectives. The fundamental nature of strategy formulation is an assessment of whether a firm is doing the right things and how it can be more effective in what it does. Every firm should be cautious of becoming a prisoner of its own strategy, because even the best strategies become obsolete sooner or later. Regular review of strategy helps management avoid self-satisfaction. Objectives and strategies should be consciously developed and coordinated and should not merely evolve out of day-to-day operating decisions (David, 2011).

2.1.4.3 Strategy Implementation

After a firm's strategy has been properly formulated, the next issue will focus on its implementation. Wheelen & Hunger (1998) describe strategy implementation as a process by which policies and strategies are put into action, through the development of programs, budgets and procedures. They continue to conclude that the process may involve changes within the culture, structure and management system of the organization. Similarly Pearce & Robinson (2006) describe strategy implementation as activities which involve in the formulation of annual objectives, functional strategies, communication, structure, leadership, culture and rewards as key aspects of implementation.

2.1.4.4 Strategy Evaluation and Control

The best formulated and best implemented strategies become outdated as a firm's external and internal environments change. It is necessary, therefore, that strategists systematically review, evaluate, and control the implementation of strategies. Most strategists agree that strategy evaluation is crucial to an organization's well-being; appropriate evaluations can aware management to problems or potential problems before a situation becomes dangerous. Strategy

evaluation consists of three basic activities: examining the underlying bases of a firm's strategy, comparing expected results with actual results, and taking remedial actions to ensure that performance matches to plans. Evaluation of a firm's competitive strategies can be done using different models or frameworks. Among these, McKinsey 7s framework has been widely used by academics and practitioners. It is a tool that analyzes firm's organizational design by examining 7 key internal elements: strategy, structure, systems, shared values (culture), style, staff and skills, in order to identify if they are properly aligned and allow firm to achieve its objectives. The primary concept of the model is that all the seven areas are interrelated and a change in one area requires change in the rest of a firm for it to function effectively. Strategy is the organization's alignment of resources and capabilities to win in its market. Structure describes how the organization is organized, and shows roles, responsibilities and accountability relationships. System is the business and technical infrastructure that employees use on everyday basis to achieve their aims and goals. Shared Value is a set of traits, behaviors, and characteristics that the organization believes in. This would include the organization's mission and vision. Style is the behavioral elements the organizational leadership uses and culture of interaction. Staff is the employee base, staffing plans and talent management. Skill is the ability to do the firm's work. It reflects in the performance of the organization. Peters and Waterman (1982)

2.1.5 Competitive Strategy

A competitive strategy is a broad-based formula for how a business is entering to compete, what its goals should be, and what plans and policies will be required to achieve those goals (Porter, 1985). Through its competitive strategy, a firm seeks a competitive advantage in an industry over its competitors in terms of cost, quality, or speed measure. Competitive advantage is at the core of a firm's success or failure in the industry (Porter and Millar, 1985, and Porter, 1996); such advantage seeks to lead to control of the market and to above-average profits. Porter (1980) argued that a firm can achieve a higher level of performance over a rival in one of two ways: either it can provide an identical product (good or service) at a lower cost, or it can supply a product or service that is differentiated in such a way that the customer is willing to pay a price premium in excess of the additional cost of the differentiation. In the former case, the firm enjoys a cost advantage whereas in the latter, the firm enjoys a differentiation advantage. In following

cost advantage, the goal of the firm is to become the cost leader in its industry or industry segment. On the other hand, differentiation by a firm from its competitors is achieved when it provides something distinctive that is valuable to buyers or perceived by them beyond simply offering a low price (Porter, 1980, 1985).

2.1.5.1 Michael Porter's Generic Competitive Strategies

Porter's five force model identifies the forces that influence competitive advantage in the market. Managers' most important concern is the development of a strategy intended at establishing a profitable and sustainable position against these five forces. To establish such a position, company managers have to decide which basic competitive strategies to adopt for performing activities in different ways from a competitor. Michael Porter, the world famous strategist, suggested four "generic" business strategies that could be adopted by firms in order to gain competitive advantage. These are cost leadership, differentiation, cost leadership focus, and differentiation focus. The differentiation and cost leadership strategies look for competitive advantage in a broad range of market or industry segments whereas the differentiation focus and cost focus strategies are adopted in a narrow industry segment.

2.1.5.1.1 Cost Leadership Strategy:

The objective of a firm adopting this strategy is to become the lowest-cost producer in the industry. A business firm achieves cost leadership in its industry by economical buying practices, efficient business processes, forcing up the prices paid by competitors, and helping customers or suppliers reduce their costs. The use of this strategy is mainly to gain low cost advantage over competitors by controlling and reducing operation costs and expenses below that of the payers in the same industry.

2.1.5.1.2 Differentiation Strategy:

This strategy is usually associated with high cost and a superior or unique attributes or perceived uniqueness offered for the business. It also provides business customers enough reasons to choose the product over others that are less differentiated products. Offer different products, services, or product features. By offering different, superior products, firms can sell more products, charge higher prices, or both. The firm adopted differentiation strategy seeks to be

unique in its industry along some aspect that is valued by customers, which means investing in product research and development (R&D) and marketing. There are different ways in which a product can be differentiated in its market. Unique features, responsive customer service, technological leadership and quick product innovation, perceived prestige and status (image), different tastes, and product design and performance are some of ways of differentiation. Mass-customization strategy has differentiated Dell in the personal computer market (Porter, 1980).

2.1.5.1.3 Differentiation Focus Strategy:

The aim of a firm in the differentiation focus strategy is to differentiate within just one or a small number of target market segments. The special customer requirements of the segment mean that there are opportunities to offer products that are visibly different from rivals who may be targeting a broader group of customers. The important issue for any business adopting this strategy is to ensure that customers actually do have different needs and wants this is to mean that there is a valid starting point for differentiation and that existing competitor products are not satisfying those needs and wants.

2.1.5.1.4 Cost Leadership Focus Strategy

Under cost leadership focus strategy a firm seeks a low cost advantage within one or a small number of market segments. As it is discussed above the difference between this strategy and the cost leadership strategy is a matter of scope of a market. The product will be basic and it may be a similar product to the higher-priced/expensive and featured market leader, but at the same time, acceptable to sufficient consumers.

2.1.5.1.5 Combined Cost Leadership and Differentiation

In the case where a company's strategy cannot be clearly classified in one of the above strategies and if it is flexible enough to change its strategies as and when need arise to response changes in environment it operates. A firm uses integrated cost leadership and differentiation strategy. A firm that successfully uses the integrated cost leadership and differentiation strategy should be in a better position to adapt quickly to environmental changes, learn new skills and technologies more quickly, effectively leverage its core competencies while competing against its rivals. A commitment to strategic flexibility is necessary for successful use of this strategy. A firm

adopted this strategy often involves compromising becoming neither the lowest cost nor the most differentiated firm and becoming 'stuck in the middle', lacking the strong commitment and expertise that accompanies firms following either a cost leadership or a differentiation strategy, earning below-average returns, and competing at a disadvantage. The integrated strategy is an appropriate choice for firms possessing the core competencies to produce somewhat differentiated products at relatively low prices.

2.1.6 Competitive Advantage

Competitive advantage is defined as when two or more firms compete within the same market, one firm enjoys a competitive advantage over its rivals when it earns or has the potential to earn a steadily superior rate of profit. However, higher profitability is not the only measure of competitive advantage. Competitive advantage can be achieved on specific business market share, technology, customer service and loyalty, employee hire and retention, and robust & simplified process. Likewise, a bank has a competitive advantage over others in terms business processes, methods, practices and ability to attract brilliant and talented people from the market. On the other hand, a firm's ability to quickly respond to change on an external and internal impact is also another modern feature of competitive advantage (Barney, 1997).

There are two approaches to competitive advantage. These are the Industrial Organization (I/O) approach and the Resource-Based View (RBV) approach. The Industrial Organization (I/O) approach to competitive advantage advocates that external (industry) factors are more important than internal factors in a firm achieving competitive advantage. Michael Porter, one the proponents of the Industrial Organization view, argues that organizational performance will be primarily determined by industry forces. In contrast to the I/O approach, the Resource-Based View (RBV) approach to competitive advantage contends that internal resources are more important for a firm than external factors in achieving and sustaining competitive advantage. Proponents of the RBV view argue that organizational performance will primarily be determined by internal resources that can be classified into three all-encompassing categories: physical resources, human resources, and organizational resources. Physical resources include all plant and equipment, location, technology, raw materials, machines; human resources include all employees, training, experience, intelligence, knowledge, skills, abilities; and organizational

resources include firm structure, planning processes, information systems, patents, trademarks, copyrights, databases, and so on. RBV theory states that resources are actually what help a firm exploit opportunities and neutralize threats.

2.1.7 Practice of Banking in Ethiopia

According to National Bank of Ethiopia (NBE), banking service was begun in Ethiopia at the end of the reign of Emperor Menilek II. At this period the evidence was the establishment of the country's first bank called Bank of Abyssinia, or in Amharic Ye-Ityopya Bank. This bank was an affiliate of the National Bank of Egypt, and was founded 1905. The Bank was totally managed by the Egyptian National Bank. The capital of the Bank was agreed to be Pound Sterling 500,000 and one-fifth was subscribed and the rest was to be obtained by selling shares in some important cities such as London, Paris and New York. The Bank was given full rights to issue bank notes and monitor coins which were to be legal tender and all the profits there from a ruling to the bank and freely exchangeable against gold and silver on cover by the Bank as well as to establish silver coins and abolish the Maria Theresa. Land was given to the Bank free of charges & permitted to build offices and warehouses. Government and public funds were to be deposited with the bank and all payments to be made by checks. The government promised not to allow any bank to be established in the country within the 50-year concession period. Within the first fifteen years of its operation, Bank of Abyssinia opened branches in different areas of the country. Accordingly in 1906 one branch in Harar (Eastern Ethiopia) was opened at the same time of the inauguration of Bank of Abyssinia in Addis Ababa. Another branch at Dire Dawa was opened two years later and at Gore in 1912 and at Dessie and Djibouti in 1920. Mac Gillivray, the then representative and negotiator of Bank of Egypt, was appointed to be the governor of the new bank and he was succeeded by H/Goldie, Miles Backhouse, and CS Collier were in charge from 1919 until the Bank's liquidation in 1931.

The society at that time being new for the banking service, Bank of Abyssinia had faced difficulty of familiarizing the public with it. It had also need to meet considerable cost of installation and the costly journeys by its administrative personnel. As a result, despite its monopolistic position, the Bank earned no profit until 1914. Profits were recorded in 1919, 1920 and from 1924 onwards. Generally, in its short period of existence, Bank of Abyssinia had been

carrying out limited business such as keeping government accounts, some export financing and undertaking various tasks for the government. Moreover, the Bank faced enormous pressure for being inefficient and purely profit motivated and reached an agreement to abandon its operation and be liquidated in order to disengage banking from foreign control and to make the institution responsible to Ethiopia's credit needs. Thus by 1931 Bank of Abyssinia was legally replaced by Bank of Ethiopia shortly after Emperor Haile Selassie came to power.

The new Bank, Bank of Ethiopia, was a purely Ethiopian institution and was the first indigenous bank in Africa and established by an official decree on August 29, 1931 with capital of £750,000. Bank of Egypt was willing to abandon its concessionary rights in return for a payment of Pound Sterling 40,000 and the transfer of ownership took place very smoothly and the offices and personnel of the Bank of Abyssinia including its manager, Mr. Collier, being retained by the new Bank. Ethiopian government owned 60 percent of the total shares of the Bank and all transactions were subject to scrutiny by its Minister of Finance. Bank of Ethiopia took over the commercial activities of the Bank of Abyssinia and was authorized to issue notes and coins. The Bank with branches in Dire Dawa, Gore, Dessie, Debre Tabor, Harar, agency in Gambella and a transit office in Djibouti continued successfully until the Italian invasion in 1935.

During the invasion, the Italians established branches of their main Banks namely Banca di Italia, Banco di Roma, Banco di Napoli and Banca Nazionale del lavoro and started operation in the main towns of Ethiopia. However, they all ceased operation soon after liberation except Banco di Roma and Banco di Napoli which remained in Asmara. In 1941 another foreign bank, Barclays Bank, came to Ethiopia with the British troops and organized banking services in Addis Ababa, until its withdrawal in 1943. Then on 15th April 1943, the State Bank of Ethiopia commenced full operation after 8 months of preparatory activities. It acted as the central Bank of Ethiopia and had a power to issue bank notes and coins as the agent of the Ministry of Finance. In 1945 and 1949 the Bank was granted the sole right of issuing currency and deal in foreign currency. The Bank also functioned as the principal commercial bank in the country and engaged in all commercial banking activities.

The State Bank of Ethiopia had established 21 branches including a branch in Khartoum, Sudan and a transit office on Djibouti until it ceased to exist by bank proclamation issued on December, 1963. Then the Ethiopian Monetary and Banking law that came into force in 1963 separated the function of commercial and central banking creating National Bank of Ethiopia and commercial Bank of Ethiopia. Moreover it allowed foreign banks to operate in Ethiopia limiting their maximum ownership to be 49 percent while the remaining balance should be owned by Ethiopians.

The National Bank of Ethiopia with more power and duties started its operation in January 1964. Following the incorporation as a share company on December 16, 1963 as per proclamation No.207/1955 of October 1963, Commercial Bank of Ethiopia took over the commercial banking activities of the former State Bank of Ethiopia. It started operation on January 1, 1964 with a capital of Eth. Birr 20 million. In the new Commercial Bank of Ethiopia, in contrast with the former State Bank of Ethiopia, all employees were Ethiopians. There were two other banks in operation namely Banco di Roma S. C. and Banco di Napoli S.C. that later reapplied for license according to the new proclamation each having a paid up capital of Eth. Birr 2 million.

The first privately owned bank, Addis Ababa Bank S.C., was established on Ethiopians initiative and started operation in 1964 with a capital of 2 million in association with National and Grindlay Bank, London which had 40 percent of the total share. In 1968, the original capital of the Bank rose to 5.0 million and until it ceased operation, it had 300 staff at 26 branches.

There were other financial institutions operating in the country like the Imperial Savings and Home Ownership public Association (ISHOPA) which specialized in providing loans for the construction of residential houses and to individuals under the guarantee of their savings. There was also the Saving and Mortgage Corporation of Ethiopia whose aims and duties were to accept savings and trust deposits account and provide loans for the construction, repair and improvement of residential houses, commercial and industrial buildings and carry out all activities related to mortgage operations. On the other hand, there was a bank called Agricultural Bank that provides loan for the agricultural and other relevant projects established in 1945. But in 1951 the Investment Bank of Ethiopia replaced it. In 1965, the name of the bank once again changed to Ethiopian Investment Corporation S.C. and the capital raised to Eth. Birr 20 million,

which was fully paid up. However, proclamation No.55 of 1970 established the Agricultural and Industrial Development Bank S.C. by taking over the asset and liability of the former Development Bank and Investment Corporation of Ethiopia.

Following the declaration of socialism in 1974 the government extended its control over the whole economy and nationalized all large corporations. Organizational setups were taken in order to create stronger institutions by merging those that perform similar functions. Accordingly, the three private owned banks, Addis Ababa Bank, Banco di Roma and Banco di Napoli Merged in 1976 to form the second largest Bank in Ethiopia called Addis Bank with a capital of Eth. birr 20 million and had a staff of 480 and 34 branches. Before the merger, the foreign participation of these banks was first nationalized in early 1975. Then Addis Bank and Commercial Bank of Ethiopia S.C. were merged by proclamation No.184 of August 2, 1980 to form the sole commercial bank in the country till the establishment of private commercial banks in 1994. The Commercial Bank of Ethiopia commenced its operation with a capital of Birr 65 million, 128 branches and 3,633 employees. The Savings and Mortgage Corporation S.C. and Imperial Saving and Home Ownership Public Association were also merged to form the Housing and Saving Bank with working capital of Birr 6.0 million and all rights, privileges, assets and liabilities were transferred by proclamation No.60, 1975 to the new bank.

Proclamation No.99 of 1976 brought into existence the Agricultural and Industrial Bank, which was formed in 1970 as a 100 percent state ownership, was brought under the umbrella of the National Bank of Ethiopia. Then it was reestablished by proclamation No. 158 of 1979 as a public finance agency possessing judicial personality and named Agricultural and Industrial Development Bank (AIDB). It was entrusted with the financing of the economic development of the agricultural, industrial and other sectors of the national economy extending credits of medium and long-term nature as well as short-term agricultural production loans.

The financial sector that the socialist oriented government left behind constituted only 3 banks (the National Bank of Ethiopia (NBE), the Commercial Bank of Ethiopia (CBE), Agricultural and Industrial Development Bank (AIDB)) and each was enjoying monopoly in its respective market. The following was the structure of the sector at the end of the era.

Following the demise of the Dergue regime in 1991 that ruled the country for 17 years under the rule of command economy, the EPRDF declared a liberal economy system. In line with this, Monetary and Banking proclamation of 1994 established the national bank of Ethiopia as a judicial entity, separated from the government and outlined its main function. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector. Immediately after the enactment of the proclamation private banks began to flourish. Accordingly, the first private bank, Awash International Bank S.C. was established in 1994 by 486 shareholders and by 1998 the authorized capital of the Bank reached Birr 50.0 million. Then after in different periods 15 more private banks were established. Currently there are 16 private banks operating in Ethiopia.

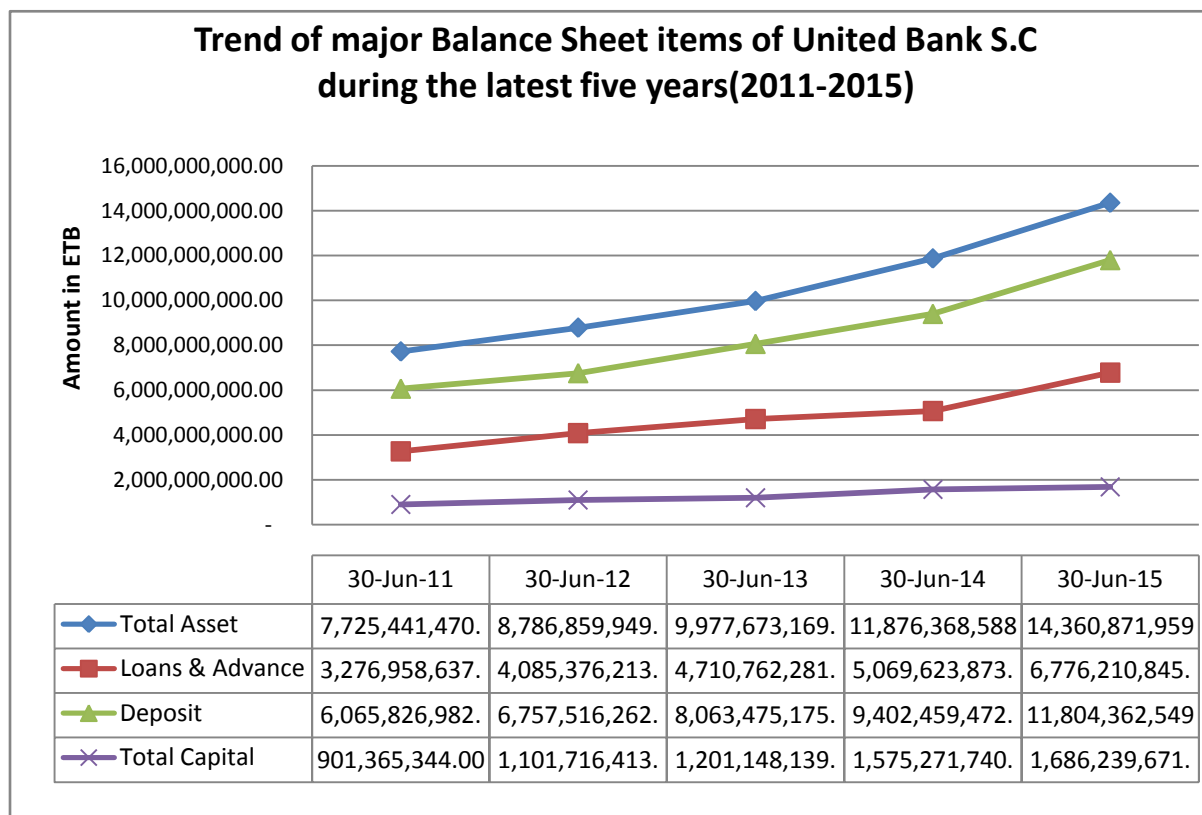
2.1.8 Overview of United Bank S.C

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 next to Awash International Bank S.C (1st), Dashen Bank S.C (2nd), Bank of Abyssinia S.C (3rd), and Wegagen Bank S.C (4th). Over the years United Bank built itself into a progressive and modern banking institution, endowed with a strong financial structure and strong management, as well as a large and ever-increasing customers and correspondent base. Today, United Bank is a full service Bank that offers its customers a wide range of commercial banking services with a network of 130 branches and out of which 73 are located in Addis Ababa and the other 57 branches are in major towns of the country. In addition to branches, United Bank has 21 sub-branches that serve as a close proxy especially for retail banking services. 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. At the time of its establishment, UB's authorized capital was Br. 100 million, out of which Br. 20,863,100 was fully subscribed and paid-up in cash by 335 founding shareholders. Since then the Bank has been raising its capital in

different time. Recently, in November 2015, considering the need to have strong position in the industry, United Bank has decided to raise its capital to Birr 2,000,000,000.00 (Two billion birr). United Bank is engaged in rendering all types of commercial banking services. These includes: Domestic banking services, International banking services, Internet banking (Hibir Online), Mobile banking, Card banking. United Bank (UB) has established correspondent bank relationships with a number of prominent banks worldwide. Currently, UB maintains correspondent account relationships with 8 banks and Bilateral key Exchange arrangements with more than 98 Banks in the United States, Europe, Middle East, Asia and Africa.

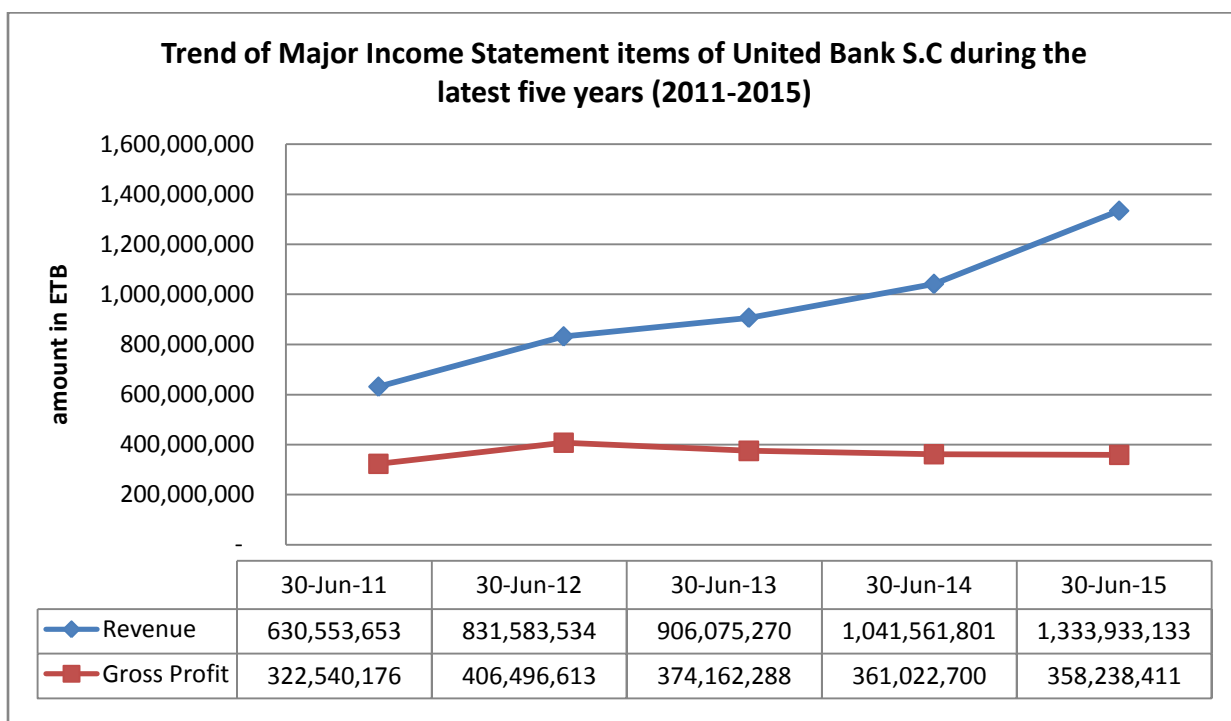
The latest five years financial statements review reveals that the asset of United Bank showed significant increase from year to year.

Figure 2.2.2.1: Trend of major balance sheet items of United Bank during the latest five years (2011-15)



Source: Annual Report of United Bank S.C (2011-2015)

Figure 2.2.2.2: Trend of Major Income Statement items of United Bank during the latest five years (2011-2015)



Source: Annual Report of United Bank S.C (2011-2015)

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, maximizing its ROE and benefiting from the latest technology in order to keep abreast with the latest developments in the local and international financial services industry.

2.2 Empirical Literature Review

This type of literature review also supports any findings with providing necessary evidences for readers to compare and contrast the results of findings with any of either conceptual or empirical subject. Hence, researcher also reviewed practical literatures as follows:

2.2.1 Competitive Strategies in Kenyan Banking Industry

George Kungu, Prof. Isaac Desta, Dr. Thomas Ngui (2014) carried out a study on effectiveness of competitive strategies by commercial banks in Kenya. From their study they firstly concluded that commercial banks in Kenya apply different strategies in response to demand for banking services with the major strategies being applied a differentiation strategy, cost leadership strategy, combination strategy, and the focus strategy. They secondly concluded that there are two major sources of competitive forces in the banking industry and these were mainly external forces as the firms fight for the market share and improved customer service. Their third conclusion was that banks have different sources of competitive advantage or strengths that put them above other banks in the Kenyan banking industry and such strengths may be anchored on quality service, customer reputation, market research, long industrial practice, service engineering and marketing abilities. Fourth, their study concluded that the banking industry and the economy at large provide opportunities which included the provision of highly differentiated services, economies of scale, change in customer needs, market size, and government policy promoting the banking business. The Authors' fifth conclusion was that commercial banks in Kenya have to make organizational changes in order to increase their competitiveness and improve performance. The sixth conclusion was that there are various strategies applied by commercial banks in Kenya in order to improve their performance. These strategies may include focus on core business activities, focus on particular customers and particular geographic areas, change in target market segment, and expansion in scale. Their final conclusion was that commercial banks in Kenya are faced by various challenges in the implementation of competitive strategies. The challenges include complexity in needs of customers, change in government policies, loss of skilled employees to competitors, rise in the cost of borrowing, and loss of intellectual property.

On the other hand, Chege (2008) conducted a research on competitive strategy on Equity Bank Limited (EBL), Kenya. The author states that competitive methods used by banks in the financial service industry conform to generic strategy types and banks following a cost leadership strategy realize statistically considerable superior performance when compared to banks that are stuck-in-the-middle. While some banks that, follow a broad differentiation, customer service differentiation, or focus strategy report above average returns, these returns are accounted less frequently. The author's suggestion was that superior performance is more difficult to realize for banks following one of these strategic directions than it is for banks following a cost leadership strategy. In fact, as a group, banks that follow a broad differentiation, quality customer service differentiation, or technology are not able to achieve a statistically significant performance advantage when compared to other strategy and stuck-in-the-middle groups.

2.2.2 Competitive Strategies in Ghana's Banking Industry

Lawrence Awuah (2011) has studied that the competitive strategies being pursued by Ghana Commercial Bank Limited (GCB) to achieve competitive advantage in the banking industry of Ghana. The result of the study showed that Ghana Commercial Bank Limited has used cost leadership strategy and the main sources of the Bank's competitive advantage were being its large geographical spread of 157 branches and 11 agencies, 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-term strategic decisions to a few key shareholders who may be limited in some ways. This obviously compromises the richness and diversity of the banks' strategic planning agenda to the detriment of corporate performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0. Introduction

The methodology section gives details regarding the procedures that were used in conducting the study. Pertinent issues discussed in this section include 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 analyzing 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 competitive strategies formulation and implementation practices of private commercial banks in Ethiopia the case of United Bank S.C. 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 Frame

The total population of the research was total employees of United Bank S.C. United Bank has 2986 employees. Of which 303 are managerial staffs, 1647 clerical staffs and 1036 non clerical staffs. United Bank has organized in one head office and various branches basis. The bank at its head office level consists of its president, 3 vice presidents, 2 assistant vice presidents, and 14 department managers. The bank has 130 branches thorough the country. Of which 73 are found in Addis Ababa city and the remaining 57 are situated in major towns of the country. Target population of the study was department managers and managers of branches which are located in

Addis Ababa city and non-managerial expert staffs who are working at head office of United Bank. In addition, the researcher had purposely selected employees who have at least one year banking experience. These groups were targeted because the researcher believed that they are appropriate people to provide appropriate information and answer for the research questions.

3.3. Sampling Design, Techniques and 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 of 50. 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 and branches and non managerial expert staffs from different departments from head office. Out of 303 managerial staffs 51 are working at head office and the remaining 252 are managerial staffs (branch managers and assistant branch managers) at branches. Accordingly, 8 department managers which represent 57% of department managers and 16% of the total managerial staffs who are working at head office and 8 branch managers from Addis Ababa city branches which represent 11% of branches located in the city. The researcher has considered Grade A branches which provide full fledged banking services and have relatively higher decision making power at branch level. And also 16 non managerial experts from heads office staffs which represent 13% of the total 126 clerical staffs who are worked at head office were included. The selection ground applied for these non managerial 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. In general, taking in to account the staffs' intense involvement in formulation and implementation of competitive strategy practice of the bank, a total of 32 employees of United Bank S.C were selected based on the above techniques.

3.4. Data Sources and Collection Methods

The researcher has used both primary and secondary data types. Primary data was gathered from respondents through open and close-ended questionnaire developed by the researcher and semi-Structured interview whereas secondary data was collected from different websites, books, company profile, annual reports, newsletters and special magazines and publications and internal records of the banks. Some close-ended questions were collected through Likert-style rating scale. Furthermore, semi-structured and in-depth interview had been conducted with corporate planning department staffs/strategy officers. The researcher also gathered data by focusing on different teams formed for various purposes like deposit mobilization team consists of 6 members, branches expansion team formed by 8 members came from different departments, a team having 5 members for promotion of the bank's multi channel services.

3.5. Ethics, Validity and Reliability

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. 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. Again, while collecting and analyzing the data, researcher truthfully followed all ethical standards expected from a researcher.

3.6. Data Analysis Methods

The data collected through questionnaires has been analyzed using simple tabulation, pie charts, or graphs technique with the aid of SPSS (Statistical Package for Social Science) version twenty software which consists of descriptive statistics-frequency, percentage and mean standard deviation. While doing analysis, researcher used descriptive research analysis method. The researcher's judgment also used while analyzing data gathered from different sources with the underlined theories and previous empirical results.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.0. Introduction

This chapter presents analysis and findings of the study. The results were presented on the assessment of competitive strategy formulation and implementation of private banks in Ethiopia: the case of United Bank S.C. The study targeted 32 respondents and all respondents responded and returned their questionnaires contributing to a response rate of 100%. This admirable response rate was due to extra efforts that were made through courtesy calls made to remind the respondents to fill and return the questionnaires. The study objectives were: to identify kinds of competitive strategies adopted by United Bank S.C; to evaluate capability of the current strategies being adopted by United bank to gain competitive advantage in the banking industry in Ethiopia; to identify the main internal and external 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 chapter covers the demographic information, and the findings based on the objectives. The findings were then presented in tables, graphs and charts as appropriate with explanations being given in written thereafter. The SPSS version twenty data analysis software was used to do all the data analysis of this research and also to create the data base for the research study.

4.1. Demographic characteristics of respondents

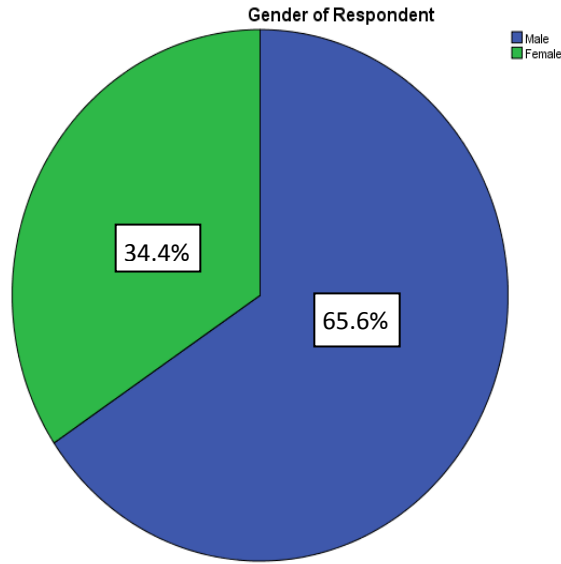
4.1.1. Gender of Respondents

Table 4.1.1: Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	21	65.6	65.6	65.6
	Female	11	34.4	34.4	100.0
	Total	32	100.0	100.0	

Source: Own research data (2016)

Figure 4.1.1: Gender of Respondents



Source: own research data (2016)

4.1.2. Age of Respondents

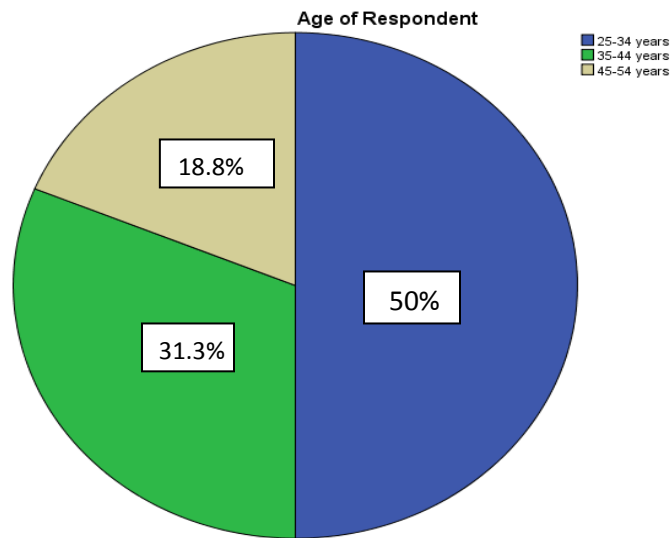
The age distribution of respondents collected via questionnaire is presented in Table 4.1.2. As can be seen on this table, half of the total numbers of respondents were found to be above the age of 35. This could imply that most of the respondents are old enough to view their work environment along with banking industry and competition angel and give reasonably dependable response to the questions.

Table 4.1.2: Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	25-34 years	16	50.0	50.0	50.0
	35-44 years	10	31.3	31.3	81.3
	45-54 years	6	18.8	18.8	100.0
	Total	32	100.0	100.0	

Source: own research data (2016)

Figure 4.1.2: Age of Respondents



Source: own research data (2016)

4.1.3. Educational Status of Respondents

Table 4.1.3: Education status of Respondents

	Educational Status	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	MA/MSc	12	37.5	37.5	37.5
	BA/BSc	18	56.3	56.3	93.8
	ACCA certified	2	6.3	6.3	100.0
	Total	32	100.0	100.0	

Source: own research data (2016)

The above table indicates that 56.3% of the respondents have Bachelor Degree, 37.5% have Masters Degree and the remaining 6.3% are ACCA certified. This result points out that the respondents are capable enough to filled the questionnaire and the collected data are sufficiently reliable.

4.1.4. Work Experience of Respondents

Table 4.1.4 shows 81.2% of the respondents have working experience for greater or equal to 7 years 15.6% of the respondents have 4-6 years of banking experience and only 3.1% respondents have less or equal to 3 years of banking experience. The result implies that majority of respondents have adequate exposure to the banking industry and this in turn significantly increases the accuracy and reliability of their answers for the questions in the distributed questionnaire.

Table 4.1.4-A: Work Experience of Respondents

	Year of Experience	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3 Years	1	3.1	3.1	3.1
	4-6 Years	5	15.6	15.6	18.8
	7-9 Years	14	43.8	43.8	62.5
	10-12 Years	4	12.5	12.5	75.0
	13 Years & above	8	25.0	25.0	100.0
	Total		32	100.0	100.0

Source: own research data (2016)

To show the relationship between demographic characteristics of respondents, the following table presents cross tabulation of work experience and position of the respondents. All managers are working for 7 & more years. And 81.2% of the total respondents have 7 and more years of experience. Thus, this significantly increases the accuracy and reliability of their answers for the questions in the distributed questionnaire.

Table 4.1.4-B: Cross Tabulation -Work Experience and Position

		Position of the respondents		Total
		Managerial	Non Managerial	
Work experience of the respondents	1-3 Years	0	1	1
	4-6 Years	0	5	5
	7-9 Years	7	7	14
	10-12 Years	2	2	4
	13 Years & above	7	1	8
Total		16	16	32

Source: own research data (2016)

4.1.5. Current Position of Respondents in the Company

Table 4.1.5, presents the respondents' current position in the company. To avoid positional biases the researcher has decided to have equal number of respondents from managerial and non-managerial staffs. And the same was reflected in table below. This has been deliberately decided to increase the quality of results of the study. All respondents from each group have been selected taking in to account the staffs' intense involvement in formulation and implementation of competitive strategy practice of the bank.

Table 4.1.5: Current Position of respondents in the bank

	Current position	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Managerial	16	50.0	50.0	50.0
	Non Managerial	16	50.0	50.0	100.0
	Total	32	100.0	100.0	

Source: own research data (2016)

4.2. Competitive Strategies

Table 4.2.1: Competitive Strategies

Competitive Strategy	Frequency	Percent	Valid Percent	Cumulative Percent
Cost Leadership Strategy	6	18.8	18.8	18.8
Differentiation Strategy	9	28.1	28.1	46.9
Focus Strategy	3	9.4	9.4	56.3
Combined Strategy	14	43.8	43.8	100.0
Total	32	100.0	100.0	

Source: own research data (2016)

As presented in the above table, the findings on the competitive strategies applied by United Bank S.C, the study found that majority of the respondents as shown by 43.8% indicated combined strategy, 28.1% indicated differentiation strategy, 18.8% indicated cost-leadership

strategy, and 9.4% indicated focus strategy. This indicates that United Bank S.C has been following combined competitive strategies of cost leadership, differentiation and focus strategies.

Kungu et. Al. (2014) carried out the similar study in commercial banks in Kenya. The results of their study that commercial banks in Kenya apply different strategies in response to demand for banking services with the major strategies being applied a differentiation strategy, cost leadership strategy, combination strategy, and the focus strategy.

The interview conducted with the bank's marketing and corporate planning officer cost leadership strategies are applied in a range domestic banking services through economies of scale and interest rate applied for export sector and staff loans and advances. However, at the same time the bank follows differentiated strategy which is shown by technology lead banking service, innovation of new services and ways of service provision agency banking, mobile banking and internet banking and 24 hrs opened branch banking service of Hilton branch. On the other hand Focus Strategies of the bank have being applied mainly based on socio-culture, economic sector, and in individual basis individual 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 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. From the above table, Table 4.2.2, 81.3% of the respondents were agree while 12.4% of the respondents were disagree and the remaining 6.3% of respondents were neutral, neither agree nor 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.

Table 4.2.2: Operational Effectiveness Strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	12	37.5	37.5	37.5
	Agree	14	43.8	43.8	81.3
	Neutral	2	6.3	6.3	87.5
	Disagree	3	9.4	9.4	96.9
	Strongly Disagree	1	3.1	3.1	100.0
	Total	32	100.0	100.0	

Source: own research data (2016)

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 4.2.3, 37.5% of the respondents replied strongly agree and 31.3% agree, 15.6% were neutral, neither agree nor disagree and only 15.6% of respondents express their disagreement. And hence, the result indicates that United Bank applies United Bank applies lock in customers 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.

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. And further as the number of service years increases the interest rate applied on loans while resigning from the bank will gradually reduce and if a staff wants to resign from the bank who served the bank for 10 and above there is not additional interest applied on his/her outstanding loans.

Table 4.2.3: Lock in Customers Strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	12	37.5	37.5	37.5
	Agree	10	31.3	31.3	68.8
	Neutral	5	15.6	15.6	84.4
	Disagree	4	12.5	12.5	96.9
	Strongly Disagree	1	3.1	3.1	100.0
	Total	32	100.0	100.0	

Source: own research data (2016)

The researcher has also asked respondents to show their agreement with the statement that United Bank has strategies to discourage customers from going to competitors for economic reasons. Accordingly, Table 4.2.4 presented that 25% of the respondents are disagree with statement while 12.5% of the respondents were neutral. However, majority of the respondents, represented by 62.5% of the total respondents gave their support to the statement. This indicates that the bank has been applying increasing switching cost strategies. The researcher has also found secondary documents from the bank that support this results. Currently United Bank has applying exit charges, like fee for early settlement of loans, fees for collateral release and bureaucratic procedures that discourages customers from going to competitors.

Table 4.2.4: Increase Switching Costs Strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	7	21.9	21.9	21.9
	Agree	13	40.6	40.6	62.5
	Neutral	4	12.5	12.5	75.0
	Disagree	5	15.6	15.6	90.6
	Strongly Disagree	3	9.4	9.4	100.0
	Total	32	100.0	100.0	

Source: own research data (2016)

Table 4.2.5: Innovation Strategy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	20	62.5	62.5	62.5
	Agree	9	28.1	28.1	90.6
	Neutral	3	9.4	9.4	100.0
	Total	32	100.0	100.0	

Source: own research data (2016)

The researcher asked the respondent to show their level of agreement with the statement that reads as the technologies that are being applied by United Bank enable it to be in a competitive position. Accordingly, majority of the respondents represented by 90.6% of the total respondents were agreed with the statement. Amazingly, 62.5% of them were strongly agreed and no one was disagreed with this statement except 9.4% of the respondents were neutral, neither agree nor disagree.

Documents obtained from the bank showed United Bank’s core banking software is called Oracle Flexcube version 12.0.1 which is slightly advanced than that of Dashen Bank S.C’s current system. With this banking software, United Bank enables to introduce various products and improves its service provision. Card banking services through ATM & POS, mobile banking (Hibir Mobile banking), internet banking (Hibir Online Banking), and agent banking (Hibir Agent Banking) are among the newly introduced service. Moreover, internal service provision of the bank has changed for example previously local money transfer was done through telegraphic/wire transfer but it has been totally replaced by broadband local money transfer (BLMT). This is one of the peculiar services of United Bank S.C. The introduction of this electronic money transfer service, which uses a broadband connection, is quiet a departure from a transfer service given by using telephone lines. Furthermore, United Bank has been working with Ethiopian Air lines to facilitate its customer to buy air ticket online using their mobile banking or internet banking service. It is also observed that 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. This is, therefore, enhances paperless operation, improves service delivery

time, and creates customer satisfaction. In general, with this banking technology United Bank has being applied the various strategies like paperless operation, economies of scale, outsourcing, sub-branching, agency banking, innovation (internet and mobile banking), and operational excellence.

As per the documents/website of the bank the followings are the Bank's products and services:

- Interest free banking (IFB)
 - Interest free deposit products/Wadiah; Current Al Wadiah, Saving Al Wadiah, and Mudharabah Deposit.
 - Interest free credit products; Primary Mode Financing or Investment Type, Secondary Mode Financing for Direct Credit, Secondary Mode Financing for International Banking Operations
- Ordinary Domestic Banking
 - Saving accounts, special saving accounts, minor account, current account, demand deposits, and foreign currency accounts.
 - United has a Broadband Local Money Transfer (BLMT) for the fastest money transfer service. Broadband local money transfer is one of the peculiar services of United Bank S.C. The introduction of this electronic money transfer service, which uses a broadband connection, is quiet a departure from a transfer service given by using telephone lines.
 - The bank provides various guarantee facilities to its customers like bid bond, advance payment guarantee, performance bond guarantee, customs bond and others depending on its customers' interest.
 - Payroll facilities to organization
 - The bank provides various credit products; short-term loan, overdraft, letter of credit, project financing, merchandise loan, pre-shipment, advance on export bills and letter of guarantee.
- E-banking services
 - Card Banking Services through ATM & POS
 - Mobile banking (Hibir Mobile banking)
 - Internet banking (Hibir Online Banking)
 - Agent Banking (Hibir Agent Banking).

- Trade finance and forex bureau services. United Bank's trade finance service facilitate payments and finance import and export transactions using the correspondent banking relationship that the bank has established with more than 98 well known and highly reputable banks throughout the world. On the other hand, forex bureau service is buying and selling convertible currencies in cash notes and Traveler's Cheques at all branches and providing clearing services for bank drafts and personal cheques denominated in convertible currencies.

It is also noted that, the bank is currently rendering 24/7 overnight services at its Hilton Branch, which is open for 24 hours. All customers of the bank can deposit or withdraw their money without limitation. There is no charge to be applied for all deposit accounts.

4.3. External Factors

Respondents were asked to indicate the main external factors that highly influence United Bank's decision while formulating its competitive strategies. Accordingly, as shown in the following table, Table 4.3, the first and the second highest external factors as indicated by the scored highest Mean 4.19 and 4.03, competitive factors and economic factor are the main external factors that influence United Bank's decision which formulating its competitive strategies, respectively. On the other hand, political/governmental/legal factors scored Mean=3.03 which makes these factors the third most influential external factors. Lastly, technological factors (Mean score =2.06) and socio-cultural factors (Mean =1.69) have fourth and the fifth rank. Thus, the obtained result implies that while formulation/selection of competitive strategies United Bank S.C has been taking in to consideration the following external factors: socio-cultural factors, technological factors, political/governmental/legal factors, economic factors and competitive factors. But, the Bank's primary emphasis was to competitive factors and economic factors.

Furthermore, the result of the interview which was conducted with marketing and corporate planning department manager indicated that intensity of competition in the banking industry and bargaining power of customers' especially corporate depositors and exporter, are the core factors out of the total five competitive factors. It is also obvious that availability of credit, availability of foreign currency, interest rate, inflation rate, import /export factors and government's

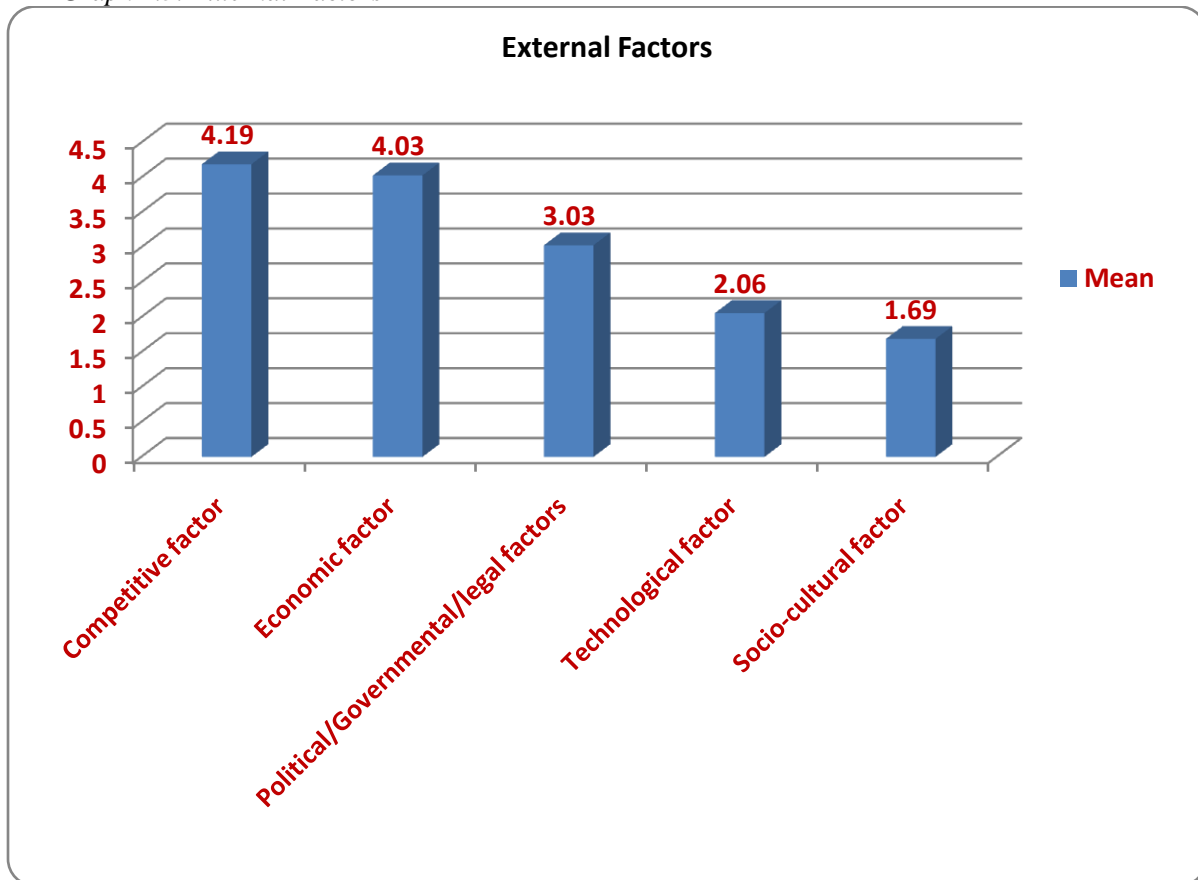
economic development programs (like growth and transformation plan (GTP) of Ethiopian government) are economic factors that influence the choice of competitive strategies of firms. In this regard, availability of credit and foreign currency are the critical economic factors that took significant emphasis of United Bank while formulating and selecting its competitive strategies.

Table 4.3: External Factors

Factors	N	Minimum	Maximum	Mean	Mean Rank	Std. Deviation
Economic factor	32	3	5	4.03	2	.782
Political/Governmental/legal factors	32	2	5	3.03	3	.999
Socio-cultural factor	32	1	5	1.69	5	1.203
Technological factor	32	1	5	2.06	4	1.216
Competitive factor	32	2	5	4.19	1	.738
Valid N (list wise)	32					

Source: own research data (2016)

Graph 4.3: External Factors



Source: Own research data (2016)

4.4. Internal Factors

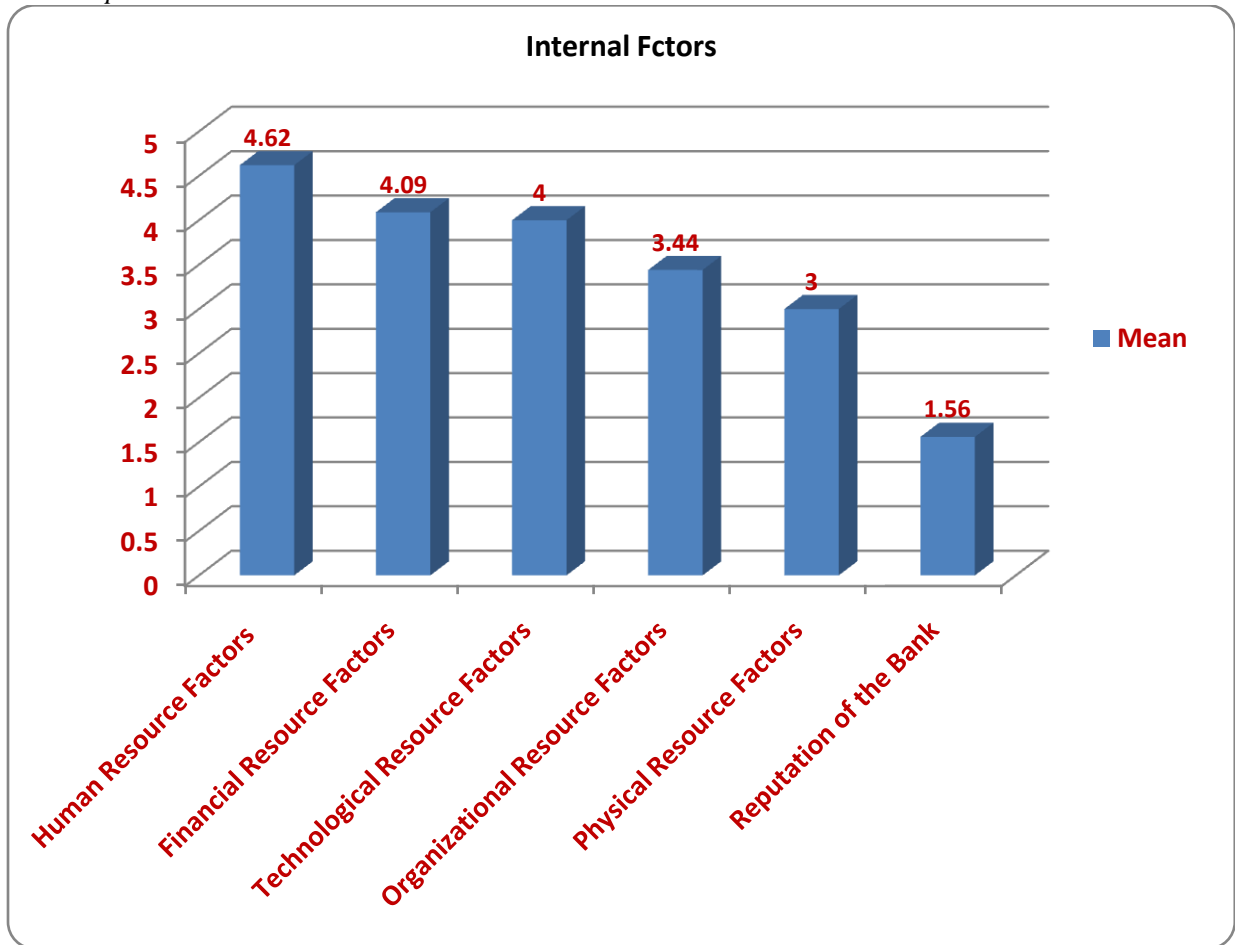
The following table, Table 4.4., presents the respondents' answer for the question that was meant to identify the main internal factors that highly influence United Bank's decision while formulation and selection of its competitive strategies. As a result, human resource factors, financial resource factors 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 4.62, 4.09 and 4.00, respectively. The registered Mean score of 3.44 and 3.00 for organizational resource factors and physical resource factors were the 4th and 5th rank factors, respectively. The 6th rank with a Mean=1.56 indicated that reputation of the bank was the internal factors that has least influence on United Bank's decision regarding formulation and selection of its competitive strategies.

Table 4.4: Internal Factors

Factors	N	Minimum	Maximum	Mean	Mean Rank	Std. Deviation
Human Resource Factors	32	3	5	4.62	1	.554
Technological Resource Factors	32	3	5	4.00	3	.762
Financial Resource Factors	32	2	5	4.09	2	.818
Organizational Resource Factors	32	2	5	3.44	4	1.014
Physical Resource Factors	32	1	5	3.00	5	1.164
Reputation of the Bank	32	1	5	1.56	6	.878
Valid N (list wise)	32					

Source: Own research data (2016)

Graph 4.4: Internal Factors



Source: Own research data (2016)

4.5. Competitive Strategies Formulation and Implementation Processes

4.5.1. Competitive Strategies Formulation Process

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 with five statements and their answers have been summarized in the table 4.5.1 below. Accordingly, 68.8% of the respondents were agree with the statement that United Bank’s Strategies are properly aligned with its vision and mission. 81.2% of the respondents shown their support to the statement of United Bank assesses its own internal environment and identifies key strengths and weaknesses and similarly 84.3% of the respondents

also agree with the statement that United Bank assesses its external environment and identifies opportunities and threats to its business before formulating competitive strategies. Besides, majority of the respondents as represented by 78.1% of them agreed that United Bank successfully integrates its internal factors (strengths/weaknesses) with external factors (opportunities/threats) for securing/keeping a competitive advantage. On the other hand, 62.5% of the respondents agreed that all managers whose work might be affected significantly by strategic 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. Then marketing and corporate planning department has a responsibility of compiling the aggregate annual budget and present to the president of the bank. Finally the budget approval is made by the Bank's board of directors (BODs). The bank's long term plan reveals that United Bank S.C has been assessing internal and external environment to identify strength and weakness and external opportunities and threats. Accordingly, the bank identified its strength from different perspectives including its reputation, management style, ownership structure, staff, accessibility of customer, technology. On the other hand, the bank's weaknesses are identified on the areas of advertisement and promotion, lack of physical resources, deposit and foreign currency mobilization effort, new product development, and organizational resource.

United Bank has also identified many opportunities from governmental and legal, economic, technological, socio-cultural and other external factors. protected financial market from foreign investors, growing national economy/growing Private Sector, minimum capital requirement seemingly nudge serving as entry barrier, interest rate liberalization, improving physical infrastructure development, availability of choice of technology, growing interest of customers to work with private banks, growing per capita income of the people, proclamation of cyber law in the country and instituting of national payment system are some of the opportunities identified by the bank. Likewise, the bank has identified various threats to its business from every external factors including economic, governmental and legal, political, technological and the like.

Table 4.5.1: Competitive Strategies Formulation

Ser. No	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	United Bank's Strategies are properly aligned with its vision and mission.	28.1%	40.7%	15.6%	15.6%	0%
	Commutative percentage	28.1%	68.8%	84.4%	100%	100%
2	United Bank assesses its own internal environment and identifies key strengths and weaknesses before formulating its competitive strategies.	40.6%	40.6%	9.4%	6.3%	3.1%
	Commutative percentage	40.6%	81.2%	90.6%	96.9%	100%
3	United Bank assesses its external environment and identifies opportunities and threats to its business before formulating its competitive strategies.	34.3%	50%	9.4%	6.3%	0%
	Commutative percentage	34.3%	84.3%	93.7%	100%	100%
4	United Bank successfully integrates its internal factors (strengths/weaknesses) with external factors (opportunities/threats) for securing/keeping a competitive advantage.	28.1%	50%	9.4%	6.3%	6.3%
	Commutative percentage	28.1%	78.1%	87.4%	93.7%	100%
5	All managers whose work might be affected significantly by strategic planning participate in the planning process.	28.1%	34.4%	21.9%	9.4%	6.3%
	Commutative percentage	28.1%	62.5%	84.4%	93.7%	100%

Source: own research data (2016)

4.5.2. Competitive Strategies Implementation Process

Table 4.5.2 presented the summary of respondents' extent of agreement to the statements that meant to measure competitive strategy implementation practice of United Bank. 87.5% of the respondents are agreed that United Bank clearly assigns guide responsibility for action plan implementation to a person or, alternatively, to a team. 68.8% of the respondents also support the statement that United Bank allocates sufficient resources for implementation of its strategies. In addition, respondents were asked to show their level of agreement on the statement that United Bank sets clearly defined and measurable performance standards for each plan elements and the bank measures actual performance against the predetermined standards. As a result, 84.3% and

68.8% of the respondents were agreed with these statements, respectively. On the other hand, out of the total respondents, 43.8% were agreed, 25% were neutral and the remaining 31.3% were disagree with the statement that United Bank reward individuals who are responsible for strategic planning and implementation for their successful performance.

Table 4.5.2: Competitive Strategies Implementation

Ser. No	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	United Bank clearly assigns guide responsibility for action plan implementation to a person or, alternatively, to a team.	28.1%	59.4%	3.1%	3.1%	6.3%
	Commutative percentage	28.1%	87.5%	90.6%	93.7%	100%
2	United Bank allocates sufficient resources for implementation of its strategies	31.3%	37.5%	15.6%	12.5%	3.1%
	Commutative percentage	31.3%	68.8%	84.4%	96.9%	100%
3	United Bank sets clearly defined and measurable performance standards for each plan elements.	43.8%	40.5%	9.4%	6.3%	0%
	Commutative percentage	43.8%	84.3%	93.7%	100%	100%
4	United Bank measures actual performance against the predetermined standards	18.8%	50%	18.8%	6.3%	6.3%
	Commutative percentage	18.8%	68.8%	87.5%	93.8%	100%
5	United Bank reward individuals who are responsible for strategic planning and implementation for their successful performance.	12.5%	31.5%	25%	25%	6.3%
	Commutative percentage	12.5%	43.8%	68.8%	93.8%	100%

Source: own research data (2016)

Review of the Bank's policy and procedure manual reveals that the Bank has developed employee performance appraisal manual and thus performance appraisal is done twice in a year (the first one is for the period starting from July 01 to December 31 and the second one is from January 01 to June 30). Then average of the two results will be considered for evaluation of employees' performance for the year. Finally, rewards (bonus and promotions) are done based on the results of performance appraisal of individual employee.

4.5.3. Other Consideration for Implementation of Competitive Strategies

Table 4.5.3: Other Consideration for Implementation of Competitive Strategies

Ser. No	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	United Bank's human resource enables the bank to be in a winning position over its competitors.	37.5%	31.3%	15.6%	12.5%	3.1%
	Commutative percentage	37.5%	68.8%	84.4%	96.9%	100%
2	United Bank's management style is appropriate for achieving its strategic goals.	12.5%	43.8%	28.1%	9.4%	6.3%
	Commutative percentage	12.5%	56.3%	84.4%	93.8%	100%
3	United Bank's organizational structure is appropriate for achieving its strategic goals.	18.8%	37.5%	31.3%	6.3%	6.3%
	Commutative percentage	18.8%	56.3%	87.5%	93.8%	100%
4	United Bank's overall system is appropriate for achieving its strategic goals.	25%	43.8%	21.9%	0%	9.4%
	Commutative percentage	25%	68.8%	90.6%	90.6%	100%
5	United Bank's values are appropriately shared by every members of the bank.	6.3%	21.9%	28.1%	34.4%	9.4%
	Commutative percentage	6.3%	28.1%	56.3%	90.6%	100%

Source: own research data (2016)

As we have seen in the above table, Table 4.5.4, 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. These are staff, management style, organizational structure, overall systems, and share value of the bank. Accordingly, 68.8% of the respondents showed that they are agree with the statements that United Bank's human resource enable the bank to be in a winning position over its competitors and United Bank's overall system is appropriate for achieving its strategic goals. In addition, equal numbers of respondents represented by 56.3% were agreed that management style and organizational structure of the bank appropriate for achieving its strategic goals. However, only 28.1% of the total respondents were agreed with the statement that United Bank's values are appropriately shared by every members of the bank, and majority group of the respondents as represented by 43.8% were disagree and the remaining 28.1% of the respondents were neither agree nor disagree with the statement. These results implied 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.

4.6. Challenges faced in implementing competitive strategies

Table 4.6: Challenges in Implementing Competitive Strategies

Challenges	Frequency	Percent	Valid Percent	Cumulative Percent
Loss of skilled employees to competitors	5	15.6	15.6	15.6
Rise in costs associated with our services	13	40.6	40.6	56.3
complexity in needs of Customers	6	18.8	18.8	75.0
Change in government policies	4	12.5	12.5	87.5
Inadequacy of Resources	3	9.4	9.4	96.9
Others	1	3.1	3.1	100.0
Total	32	100.0	100.0	

Source: own research data (2016)

From the findings on the challenges faced by United Bank in implementing its competitive strategies, the study found that majority of the respondents as shown by 40.6% indicated rise in costs associated with our services, 18.8% indicated complexity in needs of customers, 15.6% indicated loss of skilled employees to competitors, 12.5% indicated change in government policies, 9.4% indicated inadequacy of resources (physical, financial, technological, human), and 3.1% indicated stiff competition from Commercial Bank of Ethiopia (CBE) as it is governmental bank it has many advantages. This is an indication that United Bank faces various challenges in the implementation of competitive strategies.

Similar empirical study was made by Kungu et. al. (2014) in Kenyan banking industry indicted that commercial banks in Kenya are faced by various challenges in the implementation of competitive strategies. The challenges include complexity in needs of customers, change in government policies, loss of skilled employees to competitors, rise in the cost of borrowing, and loss of intellectual property.

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. According to the result of the interview 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.

4.7. Competitive Advantage

Table 4.7.1: Competitive Advantage

Extent of Response	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	10	31.3	31.3	31.3
Agree	11	34.4	34.4	65.6
Neutral	6	18.8	18.8	84.4
Disagree	5	15.6	15.6	100.0
Total	32	100.0	100.0	

Source: own research data (2016)

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. Accordingly, 34.4% of the respondents replied agree, 31.3% are strongly agree and 18.8% are neither agree nor disagree but 15.6% of the respondents indicate that they are disagree with the statement. Therefore, majority of the respondents, represented by 65.6%, express their agreement/support to the statement of that United Bank has competitive advantage in the banking industry in Ethiopia.

The following table presented the deposit amount/level (for the latest five years from 2011 to 2015) of each private banks operating in Ethiopia. The compiled data was collected from annual reports of the respective banks. Now days, it is clearly observed that the demand for credit and advance is unsatisfied with the supply provided by banks in Ethiopia. This is evidenced by the lengthy of waiting time for loan application and even not accepting loan application at all for months. This is directly related with a bank's profit as significant portion of its income comes from interest of loan and advance and likewise if a bank gets more deposit it can extend credit and increase its profit. And hence, a bank's deposit level is the main determinant factor of its competitive advantage over other banks.

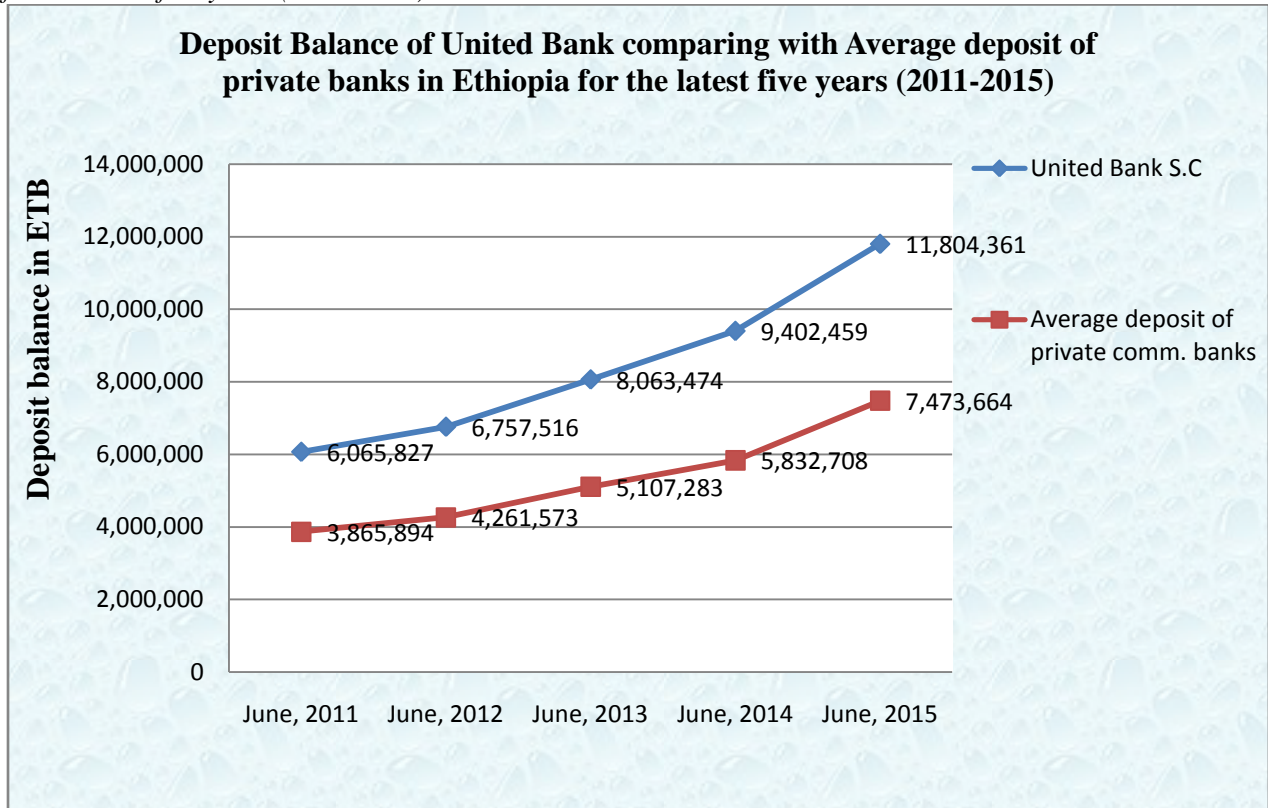
Table 4.7.2: Deposit of Private Banks in Ethiopia (2011-2015)

'000 Birr

Bank	June, 2011	June, 2012	June, 2013	June, 2014	June, 2015
Abay Bank S.C	263,383	778,905	1,475,936	2,518,220	3,623,808
Addis International Bank S.C	-	211,400	561,269	792,413	1,109,599
Awash International Bank S.C	7,743,782	9,204,358	12,545,209	16,117,834	19,509,002
Bank of Abyssinia S.C	6,075,259	6,771,246	8,496,149	9,096,477	11,118,168
Berhan International Bank S.C	694,258	931,096	1,593,129	2,011,803	3,067,896
Buna International Bank S.C	491,316	903,306	1,547,609	2,151,591	3,501,041
Cooperative Bank of Oromia S.C	1,980,420	2,797,540	4,465,040	5,450,097	7,367,889
Dashen Bank S.C	11,841,239	14,065,600	15,851,263	17,681,343	19,814,108
Debut Global Bank S.C	-	-	158,367	500,230	819,000
Enat Bank S.C	-	-	-	929,441	1,565,224
Lion International Bank S.C	1,297,372	1,734,561	2,089,819	2,686,984	4,457,397
Nib International Bank S.C	5,157,401	5,838,126	6,655,213	7,923,292	9,774,117
Oromia International Bank S.C	1,526,319	2,117,297	3,050,400	5,003,996	8,006,000
United Bank S.C	6,065,827	6,757,516	8,063,474	9,402,459	11,804,361
Wegagen Bank S.C	5,957,483	5,758,182	7,550,846	8,026,270	10,217,747
Zemen Bank S.C	1,162,559	1,792,883	2,505,526	3,030,870	3,823,260
Total	50,256,618	59,662,016	76,609,249	93,323,320	119,578,617
Average	3,865,894	4,261,573	5,107,283	5,832,708	7,473,664

Source: Annual Report of each bank (2011-2015)

Figure 4.7: Deposit Balance of United Bank comparing with Average deposit of private banks in Ethiopia for the latest five years (2011-2015)



Source: own research computation (2016)

The above graph depicts that the deposit level of United Bank S.C compared with the average deposit level of private commercial banks in Ethiopia. Both deposit levels have increasing trend and it is also revealed that United Bank S.C has deposit balances which are by far greater than the average of private banks deposit balance at each reporting date. This, therefore, indicates that the bank has a competitive advantage in the banking industry in Ethiopia.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

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 results were presented on the assessment of competitive strategy formulation and implementation of private banks in Ethiopia: the case of United Bank S.C. 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. To realize its objectives, the study used both primary and secondary data and applied descriptive research design. The findings were then presented in tables, graphs and charts as appropriate with explanations being given in written thereafter.

5.1. Conclusions

Based on the findings of the study which are presented and discussed in the preceding chapter, the following conclusions are made by the researcher.

The study concluded that United Bank S.C apply different strategies to deal with competition in banking industry in Ethiopia. The combined strategy of cost leadership strategy, differentiation strategy, and the focus strategy are being applied by the bank.

The finding of the study point out that United Bank has been applying different kinds of competitive strategies such as lock in customer strategy, increasing switching cost strategy, innovation strategy, and operational effectiveness strategy. The study further found out that, with these strategies, United Bank S.C has competitive advantage in the banking industry in Ethiopia with respect to private banks.

The study concluded that 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. And hence, while formulating and selecting its competitive strategies united Bank's primary emphasis is given to competitive factors and economic factors.

The study concluded that human resource factors, financial resource factors, technological resource factors, organizational resource factors, physical resource factors and reputation of the bank are internal factors that influence United Bank's decision while formulating its competitive strategies. Of these internal factors human resource factors, 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, physical resource factors and reputation of the bank have less influence on the Bank's decision while formulating its competitive strategies.

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.

The study concluded that United Bank S.C faced various challenges in the implementation of competitive strategies. These challenges include rise in costs associated with its services, complexity in needs of customers, loss of skilled employees to competitors, change in government policies, and inadequacy of resources (physical, financial, technological, human), stiff competition from Commercial Bank of Ethiopia (CBE) as it is governmental bank it has many granted advantages. To overcome the main challenges, United Bank has been designing various ways, like internet banking, mobile banking, agency banking, sub-branching.

5.2. Recommendations

In view of the findings and conclusions of the study the following recommendations are given. Firstly, since United Bank has been applying combined 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. Secondly, one of the main challenges United Bank faced is rise in cost associated with its service and this is significantly contributed by office rent and cost of funds. Thus, United Bank should try to cope up with increasing cost of office rent by constructing its own buildings. The bank has already begun construction of its head quarter. And likewise, construct buildings for branch offices should be included in its long term plan. Thirdly, the government of Ethiopia should monitory the economy to ensure fair competition in the banking industry of the country and the National Bank of Ethiopia should strengthen its control of the entire operations of the banks to ensure the existence of fair competition in banking industry in Ethiopia. Like unfair competition among banks regarding branch office rent, foreign currency allocation procedure, loan provision practices, control the application of code of conduct and ethics of the banking.

5.3. Limitations and Suggested Areas for Further Research

The cardinal rules of banks which do not permit information on customers, strategies and other sensitive matters to be discussed hampered efforts at getting some vital information for the study. The fear of being branded as exposing secrets also did not allow me the free hand to make certain disclosures. However, since this study was purely an academic exercise the researcher has convincingly communicated the concerned staffs of the banks to gather the required information. Again 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. From the study and related conclusions, the researcher recommends further study in the area of the effect of Commercial Bank of Ethiopia, the giant state owned bank, on the overall operation of private commercial banks in Ethiopia. The researcher also recommends further research on factors affecting customers' preference in selection of bank in Ethiopia.

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APPENDIX I

St. Mary's University Masters of Business Administration (MBA) Questionnaire to be filled by Staffs of United Bank S.C

Dear Respondent:

The purpose of this Questionnaire is to gather data for a research on “*Assessment of competitive strategy Formulation and Implementation practices of private banks in Ethiopia: the Case of United Bank S.C.*”, in partial fulfillment of the requirements for the award of Masters Degree in Business Administration. The research will be conducted to assess competitive strategy formulation and implementation practices of United Bank S.C. I believe your information in this regard will contribute a lot to the success of this study. Answering the questions will not take you more than 10 minutes and I assure you that the data you provide will only be used for academic purpose with strict confidentiality.

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 1 year.

In case you have any inquiry or need clarification regarding the questions, please feel free to contact me with: **E-mail:**tate.mecisimon1@gmail.com or **Mobile:**0912176817

I thank you for your precious time and cooperation!

Sincerely
Tekestebirhan Mengesha

Part I: Personal Information

- 1. Gender:** Male Female
- 2. Age:** < 25years 25-34 years 35-44 years 45-54 years 55 years & above
- 3. Educational Status:** PhD MA/MSc BA/BSc Diploma Other _____
- 4. Your work experience:** 1-3 years 4-6 years 7-9 years 10-12 years 13 years & above
- 5. Your Position:** Managerial Non Managerial

Part II: Close ended Questions

Ser. No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	<i>Questions for identifying what kinds of competitive Strategies that United Bank S.C has been applying</i>					
1	<i>United Bank improves its internal operations so as to perform similar activities better than its competitors.</i>					
2	<i>United Bank has strategies that encourage customers to stay with it rather than going to competitors.</i>					
3	<i>United Bank has strategies to discourage customers from going to competitors for economic reasons.</i>					
4	<i>The technologies that are being applied by United Bank enable it to be in a competitive position.</i>					
	<i>Questions for evaluating competitive strategies formulation process of United Bank S.C</i>					
5	<i>United Bank's Strategies are properly aligned with its vision and mission.</i>					
6	<i>United Bank assesses its own internal environment and identifies key strengths and weaknesses before formulating its competitive strategies.</i>					
7	<i>United Bank assesses its external environment and identifies opportunities and threats to its business before formulating its competitive strategies.</i>					
8	<i>United Bank successfully integrates its internal factors (strengths/weaknesses) with external factors (opportunities/threats) for securing/keeping a competitive advantage</i>					
9	<i>All managers whose work might be affected significantly by strategic planning participate in the planning process.</i>					
	<i>Questions for evaluating competitive strategies implementation process of United Bank S.C</i>					
10	<i>United Bank clearly assigns guide responsibility for action plan implementation to a person or, alternatively, to a team.</i>					
11	<i>United Bank allocates sufficient resources for implementation of its strategies</i>					
12	<i>United Bank sets clearly defined and measurable performance standards for each plan elements.</i>					
13	<i>United Bank measures actual performance against the predetermined standards</i>					
14	<i>United Bank reward individuals who are responsible for strategic planning and implementation for their successful performance.</i>					
15	<i>United Bank's human resource enable the bank to be in a winning position over its competitors.</i>					
16	<i>United Bank's management style is appropriate for achieving its strategic goals.</i>					
17	<i>United Bank's organizational structure is appropriate for achieving its strategic goals.</i>					
18	<i>United Bank's overall system is appropriate for achieving its strategic goals.</i>					
19	<i>United Bank's values are appropriately shared by every members of the bank.</i>					

Part III: Open and Closed Ended Questions

1. Which of the following Generic competitive strategy is being adopted by United Bank?

- Cost leadership strategy (least cost service provider strategy)
- Differentiation Strategy (unique product/services provider strategy)
- Focus strategy (low cost and/or unique product/service to a narrow-scope segment (niche market))
- Combination of the above strategies

2. To what extent do you agree with the statement that United Bank enjoys competitive advantage in the banking industry?

- Strongly Agree Agree Neutral Disagree Strongly Disagree

3. What are the challenges faced by United Bank in implementing competitive strategies?

- Loss of skilled employees to competitors
- Rise in costs associated with our services
- Complexity in needs of customers
- Change in Government policies
- Inadequacy of Resources, i.e., physical, financial, technological and Human
- Others, please specify _____

4. 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: Very high =5, High=4 , Medium=3 ,Low=2 and Very low=1

No	External Factors	Very high	High	Medium	Low	Very Low
1	<i>Economic Factors</i>	5	4	3	2	1
2	<i>Political/Governmental/Legal Factors</i>	5	4	3	2	1
3	<i>Socio-cultural Factors</i>	5	4	3	2	1
4	<i>Technological Factors</i>	5	4	3	2	1
5	<i>Competitive Factors</i>	5	4	3	2	1

5. 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: Very high =5, High=4 , Medium=3 ,Low=2 and Very low=1

No	Internal Factors	Very high	High	Medium	Low	Very Low
1	<i>Human Resource factors of the bank</i>	5	4	3	2	1
2	<i>Physical Resource factors of the bank</i>	5	4	3	2	1
3	<i>Organizational Resource factors of the bank</i>	5	4	3	2	1
4	<i>Financial Resource factors of the bank</i>	5	4	3	2	1
5	<i>Technological Resource factors of the bank</i>	5	4	3	2	1
6	<i>Reputation of the bank</i>	5	4	3	2	1

Thank you once again,
Tekestebirhan Mengesha

St. Mary's University
Masters of business administration (MBA)

Interview

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

1. What kinds of strategies are being applied by United 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 competition 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 United Bank have written long-term (3-5years) and short-term (1 year) goals?
6. How often does United Bank conduct progress review? (Monthly/ Quarterly/Semiannually/ Annually)

