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FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE

AN INVESTIGATION INTO THE FACTORS INFLUENCING COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS POST DOLLARIZATION

B1543968

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE BACHELOR IN COMMERCE HONORS DEGREE IN BANKING AND FINANCE

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The undersigned certify that they have supervised the student Mazvita Annastacia Gova
dissertation entitled: “An investigation into the factors influencing competitive advantage of
commercial banks in Zimbabwe post dollarization,” submitted in Partial fulfillment of the
requirements of the Bachelor of Commerce Honors degree in Banking and Finance at Bindura
university of Science Education.

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Student                                                        Signature                                               Date

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Supervisor                                                  Signature                                                               Date

..............................................................................................................................................
Chairperson                                             Signature                                                         Date

..............................................................................................................................................
External Examiner                                  Signature                                                        Date
RELEASE FORM

NAME OF STUDENT: MAZVITA ANNASTACIA GOVA (B1543968)

DISSERTATION TITLE: AN INVESTIGATION INTO THE FACTORS INFLUENCING COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS IN ZIMBABWE POST DOLLARIZATION

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SIGNED…………………………………………………………………………………………….

PERMANENT ADDRESS: 9 Njiva Dombotombo, Marondera

EMAIL: mazvitagover@gmail.com
DEDICATIONS

Dedicated with love to my lovely sister Evelyn Gova and Late husband Peter Neshamba. Thank you very much for your love and support and making my dream come true. You are surely an angel sent from above May the good Lord grant all your desires in life. I present this work as a token of appreciation.
ABSTRACT

Competitive advantage is the major goal which the banks in Zimbabwe are striving to attain. The overall objective of the study was to investigate the factors influencing the competitive advantage of commercial banks in Zimbabwe post dollarization. The most crucial objective of the study was to investigate the determinants of competitive advantage of the commercial banks in Zimbabwe. Literature review specified that financial deregulation instilled competition in the banking sector which demanded survival strategies to be competitive. The study employed the descriptive research design, primary and secondary data in a quest to identify factors influencing competitive advantage of commercial banks in Zimbabwe. Judgmental sampling was used to pick the respondents and data analysis presentation was conducted using Microsoft Excel and SPSS. The results shows that cost reduction and service innovation are the major factors influencing competitive advantage of the commercial banks in Zimbabwe. The respondents also noted that cost differentiation strategy is being adopted by most commercial banks to gain competitive advantage with a moderate use of product differentiation strategy. Based on the findings the research concluded that service innovation and technological advancements are ushering convenient services, increasing the customer base of the bank and cost reductions are eliminating unnecessary cost aroused by the harsh economic conditions increasing profitability of the commercial banks. The researcher recommended adherence to good corporate governance practices and quick decision making from the managers to foster survival strategies implementations which influences competitive advantage.
Firstly and foremost I would like to give my gratitude to The Almighty God for giving me strength and determination. Work of this magnitude could have been impossible without the good hand of the LORD in it. I feel greatly indebted to my supervisor Dr Florence Barugahara for devoting her precious time to guide and support me to accomplish the objectives of this study, “May the Lord God Bless You”.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter is concerned about setting an introduction for the research on an investigation of the factors influencing competitive advantage of commercial banks in Zimbabwe post dollarization. This chapter highlights the background of the study, statement of the problem and the objectives for conducting the research. It involves the research questions, the significance of the study, scope of the study, assumptions specific to the study and limitation to the research. This chapter ends with the definition of terms and the summary.

1.1 Background of the study

The global practice of the commercial banks in the banking sector requires the banks to emphasize on the ability to react adequately and timely to the external changes to the competitive environment. In 2016, European banks were under siege from the competition emanating from the increased competition from non-banks like Financial Technology (Fintech) firms (Financial Times 2016). These firms took advantage of digitization and big data techniques posing a threat on the banks and the banks had to seek ways to improve their own competitiveness to avoid loss of market share and a significant reduction in bank revenue.

Prior to the dollarization period in 2009 the situation in the Zimbabwe banking sector from 2000 to 2008 was disastrous due to the hyper-inflation which eroded the acceptability of the local currency and the situation was degraded by the burden that was brought about by withdrawal limits by the Central Bank. The Reserve bank of Zimbabwe’s actions of increasing the statutory reserves
requirements and overnight central bank accommodation that was at 400% per annum were to be blamed for the bank failures experienced by the commercial banks in the year 2003 and 2004.

Nevertheless, this situation was culminated in 2009, the post dollarization era when the Reserve Bank of Zimbabwe (RBZ) adopted the use of the Rand, Pula and the US dollar in place of the local currency. The US dollar was recognized as the legal tender and the primary currency as government’s budgets and taxes were denominated in US dollars. The adoption of the US dollar led to the improvement in bank performance as witnessed by the increase in bank lending and deposits which re-ignited competition amongst commercial banks (RBZ, 2010). Banking competition promotes efficiency and profitability which foster high economic growth (Claessens and Laeven, 2005).

Figure 1.1 Zimbabwe bank’s balance sheet Analysis (2012-2014)

Source: A Norumedzo (Zimbabwe Banking Sector Analysis 2014)

The banks that recorded highest growth rates on their balance sheet the period of 2012-2014 included CBZ bank, BancAbe bank, Standard Chartered Bank, Barclays Bank with lowest growth rates for allied bank and Agribank. The balance sheet assets where characterized by major assets in the form of advances and loans and the banks that had the highest market share already were profitable intensifying competition for the banks like Allied Bank (formerly ZABG) and Agribank.
Since the US dollar was acceptable the public restored their confidence in the banking industry and began keeping their money in the formal banking system resulting in the increase of the deposit base. Competitive advantage became the most profound concept of strategic management to which the banks successfully developed their activities so as to attain competitive edge. Conversely, not all banks managed to grasp the ideology of competitive advantage, Merchant bank was placed under curatorship by the Central bank in 2011 due to poor corporate governance and abuse of depositor funds.

In 2015, Allied bank (formerly ZABG), Tetrad Investment Bank and AfrAsia Bank Zimbabwe Limited (formerly Kingdom Bank) ceased operations. These commercials banks failed to survive the competitive environment due to poor leadership qualities, poor risk management and neglect of corporate governance principles. The Central Bank as the financial regulator failed to play its role to minimize this indiscipline promptly. Bad corporate governance, high dominance of insider loans and creativity accounting is the center of anomalies which reduces strategy formulations pertaining to competitive advantage which prolongs the survival of the bank (Ndlovu et al., 2013).

Porter, (1996) emphasizes that competitive advantage is not inherent from the firm’s resources but rather from business activity systems like cost advantage, focus and differentiation. In June 2018, Standard Chartered Bank considered closure of its branches which were not located in major towns due to lower business activity hence eliminating unnecessary costs. The bank took this measure as a result of the decline in branch transactions due to the electronic transactions. Standard Chartered bank evaluates its strategies in line with the client’s needs and the external environment as it enters a new market of remodeling their business around digitization and efficient innovations. However cost advantages proves to be a real threat in the banking sector ever since the entrance of Mobile Network Operators (MNO) like Eco cash and Tele cash which caused their distinction from the commercial banks to be non-existent. Mobile Network Operators have penetrated in new markets like rural areas through investing in vital setups in rural areas that traditional banking have struggled to access through brick and cement branches (Lyman, Pickens and Porteous, 2008). Furthermore the threatening presence of the quasi-banking institutions like microfinance offering cheap, efficient and convenient services are reducing customer confidence and eroding the deposit culture of clients at the same time reducing loanable funds of banks. In this regard commercial
banks have been forced to innovate and redesign their business procedures to achieve efficiency and cut the costs of operating, which have been a very complicated but not impossible task.

The deregulation of the Zimbabwe banking sector led to the escalated entrance of new players like Eco bank Zimbabwe a subsidiary of a Transnational in 2011. The government had put measures that put restrictions on the entry by new players into the financial system through financial liberalization. The new banks identified the most popular yet ignored populated markets using their brand name and they took advantage to offer customers a wide range of products which put pressure on the profitability of the already existing banks like the ZB bank which commenced its operations in 1951.

In 2018 June, Steward bank adopted a product differentiated focus strategy and updated its ATMs by including additional services like the buying of airtime on them and unveiled Kwenga, a portable POS machine which allows customers to swipe their money into Eco cash crafted for Small to Medium Enterprise (SMEs). This strategic move placed Steward bank on top with high growth prospects attracting more customers apart from the individual clients, other banks like CBZ bank and ZB bank failed to embrace such growth strategies (T Samukange 2018). Increase in market share of Steward bank intensified competition in the financial market, ZB bank started experiencing negative profits with FBC and CBZ decline in profits.

The Zimbabwe Bank and Allied Workers Union (Zibawu) pointed out that the indigenous banks were trapped by the liquidation problem while the foreign banks were victorious in an unstable economic condition. Bukirwa and Kising’U, (2017) pointed out that they are some exceptional circumstances whereby companies benefit not only because they had factored in a strategy but rather benefited from the sudden conditions in the external environment. For instance the Barclays bank owned by the British never experienced problems in making money available to its customers than local banks like ZB bank. This was due to the lower interest rates in Europe than the interest rates of which the local banks were obtaining money, five times or six times higher than those in Europe. Although the local banks competes the international banks their actions are not competitive enough as witnessed by increase in closure of local banks in the past years. Against this background the study looks at the factors that can foster competitive advantage of commercial banks in Zimbabwe.
1.2 Problem Statement

The challenging deregulated operating environment in Zimbabwe comprised of stiff competition from non-banking institutions, liquidity problems and tight monetary policies has caused some commercial banks to record higher earnings, some struggling and others seizing to exist. Given that the banks have the same operating condition is a cause of concern. The situation necessitates for the commercial banks to discover the determinants that leads to competitive advantage from the industry. In addition, not all the commercial banks have accomplished the levels that meet the industry or stakeholders expectations as witnessed by poor competitive strategies that leads to decline in customer base. Although there has been an increase in growth rates on bank’s balance sheets from 2012-2014 (Norumedzo, 2014), banks are struggling to design competitive strategies using its resources and seem to be losing competitive advantage and identification of advantages to better position themselves in the industry is still a myth. Therefore, this study seeks to investigate the factors which can influence competitive advantage of commercial banks in Zimbabwe post dollarization.

1.3 Objectives of the Study

The following objectives will guide the study;

- To investigate the determinant of competitive advantages in commercial banks.
- To establish the sources of competition of commercial banks in Zimbabwe.
- To investigate the survival strategies used to achieve competitive advantage by commercial banks.
- To identify potential challenges faced by commercial banks in Zimbabwe in strategy implementation.
1.4 Research Questions

- What are the determinant of competitive advantages in commercial banks?
- What are the sources of competition of commercial banks in Zimbabwe?
- Which survival strategies are being adopted by the commercial banks to achieve competitive advantage?
- What potential challenges are faced by the commercial banks in Zimbabwe in survival strategy implementation?

1.5 Significance of the Study

1.5.1 To the Policymakers
The findings of this study give insight to the government to put in place regulation that promotes a fair playground by controlling the conduct of the commercial banks to ensure that they attain sustainable competitive advantage. The banking sector stability supports economic growth.

The government need the information about the strategies that can be adopted by the commercial banks to attain competitive advantage so that they can alter the existing policies since the field is constantly changing so should the regulations that govern the sector to keep up with the changes

1.5.2 To the banking industry
As the main participants of this research the findings of this study is expected to give the various commercial banks knowledge on what they are doing right or what they need to change to ensure their survival. The banking industry in itself is evolving with time therefore the commercial banks have to meet the changes in the market trends, technology and the products offered.

1.5.3 To the management of commercial banks in Zimbabwe
The study embraces the need of the marketing managers’ to have an in-depth knowledge which they will benefit on how to fight competition using the factors influencing competitive advantage. The Chief Executive Officers, functional managers and departmental heads in charge of strategy will benefit from the challenges regarding to strategy implementation and ways to overcome them.
1.5.4 To the scholars and researchers

The findings of this research will act as a reference for the scholars and researchers who may wish to carry out a research on the same topic. Future students and fellow students will enhance their knowledge pertaining to competitive advantage of commercial banks.

1.6 Assumptions of the Study

Assumptions guiding the study include,

- The sample to be chosen is assumed to be correct and a true representation of all commercial banks and the findings are generalized to all commercial banks.
- The study assumed that the respondents responded to the questions in an honest manner and that set of data they provide is correct and without bias.

1.7 Delimitation of the Study

The study targeted commercial banks like Barclays bank, Steward bank, CBZ Bank Limited, ZB bank, Eco bank and Agribank. The research focused on the factors influencing competitive advantage of commercial banks only and did not cover other financial institutions like building societies, microfinances and insurance companies because of the limited time and resources. The period under review was from 2009 to 2018 since 2009 is the period where the banks began reporting financial statements in US dollars.

1.8 Limitations of the Study

The banks have the cardinal rule that some information is confidential and cannot be disclosed which limits a thorough research since not all sources relevant to this research were accessible. The respondents who were readily available were unwilling to reveal detailed information pertaining to the factors influencing competitive advantage in their bank and survival strategies undertaken hence most of the information had to be sourced from secondary data.
The nature of the research requires a country wide research and an in-depth investigation. However due to the limited time available the researcher restricted the research to Harare as the representative population and undertook sampling to attain a sample size that is manageable. The study required the researcher to travel from one place to another in Harare hence financial constraints challenged the smooth progress of the research.

1.9 Definition of terms

Competitive advantage

Competitive advantage is an advantage that aims to perform exceedingly above the competitors by offering the consumers superior value through low prices or high quality services that justify a higher price. The indicators of competitive advantage are efficiency, market coverage, profitability and market share. The organization seeks a competitive advantage position in order to be more profitable than its competitors.

Strategy

It is a competitive move or business approach management employs to gain competitive advantage. Strategy is the goal and opportunity of an organization over a long-term which enables the business to compete successfully. The organization can use the offensive strategies that are aimed at taking the market from the competitors and involves a lot of task and defensive strategies aimed to protect the position of the organization involving retaining clients, satisfaction of the clients, and lowering risk of being take on by the rivals.

Sustainable competitive advantage

Sustainable competitive advantage are company’s attributes or abilities that are difficult to imitate or exceed and provide a superior long-term position over competitors. It can be in the form of company’s assets or higher barriers to entry like cost advantages which creates a monopoly over a long time.

MNOs- Mobile Network Operators
Mobile Network Operators are the service provider organizations responsible for the provision of wireless voice, data communication and financial services for its subscribed users. The Mobile Network Operators (MNO) provide financial services in Zimbabwe through their respective networks like Eco cash by Econet Wireless, One Wallet by Net One and Tele cash by Telecel. The financial services encompasses the MNO’s and their agents providing a crossing point between the two sides through cash-out and cash-in options on condition that convertibility between mobile money and cash is achieved. Cash out is concerned about issuing cash on demand and cash-in includes converting cash to notational equivalent posing a threat to services offered by the commercial banks of withdrawal of funds and acceptance of deposits.

1.10 Chapter summary of the study

This chapter formulated an introduction on the study of the factors influencing competitive advantage of commercial banks in Zimbabwe. It highlights the background of the study, problem statement, objectives of the study and enlightened the research questions which were formulated in this chapter. The assumptions, delimitation, significance and limitation of the study were also included. Chapter two will cover theoretical framework, conceptual framework and empirical literature of the study which is literature review.
CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction
This chapter emphasizes on the literature pertinent to the study of the factors influencing competitive advantage of commercial banks in Zimbabwe post dollarization. The literature pertaining to competitive advantage shall be provided highlighting the sources of competition in the industry, determinants of competitive advantage of commercial banks. Theories and Models of competitive advantage which includes the core competencies theory, Resource Based View Theories, The Value Chain and the Value Disciplines Models shall be looked into. It also covers the conceptual frameworks, evaluation of the existing literature related to the study, the gap analysis and summary.

2.1 Conceptual Framework

2.1.1 Competitive Advantage

The commercial banks’ industry is facing intense competition in a new liberalized environment and calls for the need for the banks to focus on how to gain competitive advantage. The motive is the best ways to develop and advance the firm’s competitive position for all the areas of the business and competitive advantage is obtained whenever customers are attracted, and the firm defends itself against competitive forces than its rivals (Govoni, 2012). According to Rothaermel, (2016), competitive advantage is whenever a firm has power over rivals in attracting customers and retain them from the competition sources better than the competitors depending on value, price and costs. Companies strive to achieve sustainable competitive advantage although this requires the firm to enhance its continuity over a longer period.
When the core competency of the firm matches the unique opportunities in the industry then competitive advantage is realized (Pride & Ferell, 2010). At times, a firm may own manufacturing, technical or marketing skills that can meet the market opportunities to build a competitive advantage (Pride & Ferell, 2010). Lamikanra (2013) suggests that the ability of the firm to attract and retain customers is strongly associated to the manner it services its existing customers and the reputation it creates in the industry. Nevertheless, most firms find it challenging to retain customers and include changes in needs of the customer, changes tastes and preferences of clients, new rivals, substitutes and increase in performance of existing competitors. The factors are illustrated by the Porter’s five forces model. Porter, (1979) identified the five forces used to evaluate the landscape of competition in the environment and structure of an industry to achieve competitive advantage.

2.1.2 The sources of Competition in the industry

Porter, (1979) identified the five forces for analyzing the competition within an industry which directs managers towards long-term advantage. The Porter’s five competitive forces are the threat of new entry, the bargaining power of buyers, the bargaining power of supplier, the threat of substitutes and the extent of rivalry between competitors. Grefen, (2018) pointed out that the degree of the five forces is determined by the potential for the firm to be profitable in the industry by influencing the prices, costs and successful strategies in a more challenging business environment. Johnson et al., (2011) also revealed that an industry where the degree of the five forces is high it is unattractive to compete in since they will be too much competition and too much pressure to attain reasonable proceeds. These forces are illustrated in figure 2.1

Porter’s five forces for analyzing the sources of competition
The extent of the rivalry between the competitors is the strongest amongst the five competitive forces. Rivalry is the degree of the value created in an industry that will be eliminated through head to head competition (Olson and Boehlje, 2011). Rivalry amongst firms also refers to the actions undertaken by the firms in order to gain competitive advantage over each other in terms of price competition, advertising battles, attempts at differentiation and product positioning. If competitive rivalry is weak the firms may increase prices and earn more profits consequently intense competitive rivalry calls for the essential need to improve product or service offerings so that competitors may not try to steal customers, profits and market share from each other. According to Kotler, (2011), a segment is costly to compete in if it contains numerous aggressive competitors, price wars and frequent product introductions are likely to be experienced.

The bargaining power of the suppliers refers to the ability of those that provides inputs to the organization to raise price and the quality of services (Arline, 2016). Suppliers have the most power when they are sore suppliers or the inputs available are unique making it costly to switch suppliers. In addition, they are likely to be influential given that they are not numerous and their products are highly unique (Grefen, 2018). Therefore they can raise prices as they wish compromising the competitive position of a firm in the environment. In this regard the researcher considers the central bank as the supplier since it offers licenses and capital requirements which can affect the profitability of the commercial banks in their environment. A strong supplier can
make the industry more competitive by reducing the availability of the product whereas a weak supplier may be at mercy of the buyers due to availability of substitutes which concludes the industry to be less competitive.

The bargaining power of buyers entails the effect of customers on the attainment of the firm and its major determinant are the size and the concentration of the customers. If the group of buyers are concentrated or buys in large volumes only then can they be considered to be powerful. AgriBank in Zimbabwe buyers are powerful because the bank specializes mainly in provision of financial services to farmers. According to Porter, (1979) the buyer power includes part of the forces which shapes the competitiveness of an industry. If the client is uneducated pertaining to the service for instance the nature of the loan, this entails that the buyer bargaining power is low. The industry is hence less competitive due to the price insensitivity of the clients.

Substitutes are those products and services that can serve similar needs although they may appear to be different from those of the other firms. Mobile Money Operators like Eco cash seem to be potential substitutes for bank products as they reduce demand for them. Substitutes place a ceiling on the price of the product when the switching costs are low (Grant, 2012). Substitutes are greater threat when the clients can easily switch to other products or services because the benefit derived from the firm’s product is little. This reduces the intensity of the competition in the industry. On the other hand if the service does not meet the standards and its functionality does not compare to those of the firm then the threat of substitutes may not apply hence competition is low.

The threat of new entry rest on the availability of the factors that limits the entry of new participants. The presence of new entrance may force prices down and intensify the amount of competition in the industry (Porter, 1985). The degree of entrance is high when barriers to entry are unavailable, processes are not protected by regulations or lack of customer loyalty. Barriers to entry are the conditions in the competitive environment that makes it difficult for other banks to begin operating in the industry. The low capital requirement pegged by the Central bank of Zimbabwe may escalate the new entrances’ number and force established firms in the industry to derive strong defensive measures to remain competitive. In the Zimbabwe banking industry they have been an increase in new entrance during the past decade like Steward Bank, Capital bank and Ecobank due to financial liberalization. The threat of new entry is also high when the proprietary technology and distribution channels of a service are not an issue.
2.1.3 Determinants of competitive Advantage of commercial banks

2.1.3.1 Service innovation

Service innovation through enactment of new or expressively upgraded products or service delivery method influence the competitive advantage of commercial banks. This includes significant changes in techniques, equipment and software. Without competitive advantage, the firm and its products are possibly one or more offering among a sea of commoditized products (Hartline and Ferrell, 2006). Innovation is one of the best ways for a firm to achieve competitive advantage. A similar point was raised by (Martin-de Castrol, et al., (2013) as he pointed out that increasing effective technological innovations is essential for crafting and sustaining competitive advantage.

Papulova, Emilia, (2015) states that true competitive advantage is attained when customer satisfaction is based on adding real value to the clients more efficiently than the rivals. Banks have improved their ability to offer services to customers by increasing service distributions channels whereby clients can access their accounts through technological innovations. Aggarwal and Goodell, (2009) claims that competitive advantage is achievable amongst banks by simply directing their efforts on simplifying four areas of the value chain which are product management, distribution, operations , IT and organizational structure. With the steady increase in the usage of online banking by clients, the growth of smartphones, technological developments and advanced security levels, banks are focusing on sales through online channels. Automated Teller Machines (ATMs) are developing gradually with increased automation, integration with direct channels such as mobile and online banking, and delivery value added services to customers. Commercial banks are actually experiencing increased revenue streams out of the self-service channels thus gaining competitive advantage.

Kungu, Desta and Ngui, (2014) discovered that the marketing innovation plays a major role in achieving competitive advantage of a firm. Steward bank has attracted a tremendous number of clients through is marketing innovations on social medias like Facebook and Instagram and the
bank is currently making high profit margins from this initiative. Allison, (2012) argues that an innovative approach to pricing is one of the crucial element of an efficient and consistently implemented marketing mix to which competitive markets are proven extraordinary, lasting and profitable only if adequate pricing strategy is applied.

2.1.3.2 Superior Resources

Adequate superior resources have an impact on the competitive advantage of an organization. According to Jobber, David; Lancaster, ( 2007), superior resources comprises of the expenditure on advertising, sales promotion, expenditure on Research and Development, financial resources, brand equity and human resources. Hussey, (2010) states that the human resource are the key resources that a company can utilize in order to be successful and physical resources should also be appreciated as they contribute to the outstanding performance of the company. (Musyoka, 2012) , also supports this view that knowledge and experience of human resources are the key contributors to advantages and capabilities. Effective training strategies for the employees to enhance their capabilities, employee relations and awards improves performance by contributing to customer satisfaction ,productivity and favorable reputation leading to sustainable competitive advantage (Singh, 2016) . This is because when tasks are carried out by the right people with the skill, no mistakes are incurred thus low costs and high quality services or products are produced. It is essential for the firm to analyze the company’s resources be it brand, financial resources or human resources and determine which ones are more valuable and to what extent they can support the firm’s pursuit for competitive advantage. Thompson, (2014) postulates that competitive advantage in resources is measured by how rare the resource is, valuable it is, how difficult it is for the rivals to imitate whether their alternatives available for the resource. Good example of such resources are brands and patents these are competitively valuable to the organization.

Brands and company reputation influences competitive advantage of companies provided they are managed well (Hooley, et al., 2008). Commercial banks in Zimbabwe are incorporating the most popular celebrities as their brand ambassadors and customers tend to develop close relationships with the brand simply because it reflects their self-image. A strong brand name is a defensible resource of a firm and it influences the competitive advantage. Patents gives room for a company
to sustain competitive advantage as their products are not copied by other firms and future revenue streams are more certain as long the patent holds.

2.1.3.3 Cost Minimization

The ability of the firm to manage its costs at the minimum possible way than the rivals determines the competitive advantage of the firm. Generally, firms opt to minimize total costs by stripping fixed costs, reducing employee compensation rates, continuous monitoring of raw materials and achieving higher levels of productivity and lower prices to gain competitive advantage (Pearce & Robinson, 2011). Smith, Davies and Chinzara, (2016) pointed out that operational cost such as staff costs which emanates from staff loans which are explicitly included in the calculation of the lending rate affected the clients leading to lower profits for the bank hence losing competitive advantage. Higher interest rates discourages the clients from borrowing as the cost of borrowing would have increased therefore banks should cut costs which affects the pricing of their products to be competitive.

Commercial banks in Zimbabwe have been compelled to innovate and redesign their business processes to cut the costs of operation. Collard (2012) stated that in the brick and mortar era the banks incurred high costs due to staff costs, energy costs, insurance costs and high street rentals for branches operations that meant hundreds of thousands costs experienced each year. The rapid embrace of technology through e-banking by most banks is a measure to cut costs. Standard Chartered bank Zimbabwe in 2018 took a measure to close its branches in small towns across the country to cut overhead costs and create wellness friendly workstations to increase efficiency in service delivery. This has assisted the bank to deliver higher value services to clients at a sufficiently low cost than the other competitors.

(Admati and Hellwig, 2013) agrees that introducing e-commerce information to the clients at the touch of buttons is not only a cost reduction measure but an opportunity for provision of services they need. In addition to that competitors of the Standard Bank Zimbabwe are likely to take a much longer time to close down its branches too meaning that Standard Chartered enjoys the cost advantage. Provision of 24/7 banking services in traditional banking has been very costly but e-
banking have eliminated the geographical boundaries enabling the banks to rise their revenues by locating clients more rapidly at a low costs (Admati et al., 2012). This summarizes the competitive advantage dimensions of quality, flexibility, time and costs. However (Pearce & Robinson, 2011) argue that business success built on cost leadership requires the firm to provide its services at low costs than competitors and must be sustainable cost advantage emanating from skills and resources such as access to capital, low cost distribution system, intense supervision of labor and the business must be able to achieve activities in its value chain.

(Philips, et al., 1983) states that quality products requires expensive materials and processes that are not supported by the cost leadership rule which supports the low costs. He goes on to say that despite the expensive materials attached to quality, this will eventually result in lower cost after the firm gains benefits of economies of scale using market share. Companies can gain competitive advantage through by being the cost leaders through maintaining overall operational costs below profits.

### 2.1.3.4 Leadership Qualities

Leadership is the art of aspiring workers to perform their duties extremely well, with commitment and enthusiasm to produce measurable results (Goleman, 2018). Good leadership is responsible for allocating resources to where they are required the most to produce exceeding results. The leader drives the talents in the organization and the employees follow his commands. (Srivastava, Franklin and Martinette, 2013) believes that for an organization to attain competitive advantage the leadership that is the top management should show their authority through developing new strategies which are impossible to be imitate due to the competitive barriers around it and create a responsive company built on unique capabilities. (Gitonga, 2015) pointed out that the characteristics of leaders who can create competitive advantage include; reliability, implementation and execution skills, sound knowledge about the firm and the workers within and maintaining best relationship with the managers and the other stakeholders. (Tiwana, 2012) pointed out that products, technology, market share are easier for competitors to imitate while knowledge is the only resource that cannot be copied. The management of commercial banks should keep their heads up pertaining to the activities in the market and focus on the opportunities at the same time having skills in strategy implementation. Drucker and Maciariello, (2009) noted
that leadership is the ability to develop the firm and the employees at the same time adjusting to the necessities and demands of the environment like competition. Commercial banks in Zimbabwe were affected by the hyperinflation of 2008 which left most of them at the edge of collapsing due to increased non-performing loans. Post dollarization era operations got back to normalcy and the locally owned banks staggered whilst the foreign owned banks succeeded. This was influenced by the leadership skills of the foreign owned banks which matched the corporate objectives and the available resources.

2.1.3.5 Quality Service Provision
According to Lamikanra (2013) quality services increases the customer base of the organization and protects the reputation of it across the market. Excellent customer service is the aspect of bank survival since it influences customer satisfaction and customer retention and is widely known as an important business requirement (Krishnamurthy et al., 2014). Johnson et al., (2011) mentioned that customer retention is more concerned with offering the client services or products which exceeds their expectations so that they become loyal advocates of the brand. Porter, (1985) categorized quality as a primary basis for differentiation strategy. Quality involves an element of uniqueness that other competitors struggle to compete with and customers can justify their choice creating brand loyalty (Auka, 2012). Quality isolates the organization from the rivals through lowering price sensitivity and creating customer loyalty. For instance if the bank raise product or service quality the buyers will perceive the service or product to be of higher value at the same time the firm will be protected from the competitive forces that reduce profitability. The provision of higher quality enables the firm to offer clients services below the value premium meaning that the buyer feels the additional cost to purchase the service is well below what the service is worth in comparison with the available alternatives (Keegan & Green, 2003) This indicates that quality service is not just a corporate offering but a competitive weapon which is important for corporate profitability and survival (Rosen and Surprenant, 2002).

Ownership
Foreign owned banks have subsidiaries in the other country yet the parent country is based in the other country. Its operations in the other countries are grounded by on fundamental principles that prolongs their survival and competitive advantage. When the operating environment of the country encourage firms to innovate and invest, competitive advantage is bound to be gained and the advantages will improve with time (Konsolas, 2018). Foreign owned banks tend to take along better knowledge and technical capacity which then is later on adopted by the entire banking system (Lopes and Theisohn, 2013). The competition they impose on the local banks through modified products or services increases efficiency of financial intermediation. In addition to that liquidity resources and international markets are drawn from their parent banks. For instance, Barclays is owned by the British and the interest rates in Europe are much lower than the interest rates that the local banks gets money at a much higher interest rates. Beck, et al., (2014) claimed that international banks are more profitable than the indigenous banks in developing countries, less profitable than local banks in industrial countries due to benefits derived from tax breaks, technological efficiencies and preferential treatments. Although local banks works on thin margins compared to foreign owned banks they usually benefit from information advantage they have pertaining to the local market than foreign banks. Deregulation of the financial system has caused unrestricted entry of international banks and since they are most resourceful they are gaining competitive advantage than the other local banks which are less efficient. Furthermore Ndikumana, (2014) aimed the foreign owned banks have higher customer base because of the faith depositors have in well-established banks than small local banks and bring unhealthy competition which makes them enjoy sustainable competitive advantage.

### 2.1.4 Strategies for competitive advantage.

A bank or firm should adopt a competitive strategy in order to secure its competitive advantage. A strategy is a tool or a game plan that can be used by the company to achieve a certain goal. (Musyoka, 2012) entails that a strategy is a cohesive, comprehensive and integrated plan designed to ensure that the basic objectives of the company are achieved. Johnson, Whittington and Scholes,
(2013) defined the strategy as the long-term plan or scope that achieves advantages of the firm through alignment of resources within challenging environment to meet the needs of the market and to fulfill the prospects of the owners. Likewise commercial banks in Zimbabwe implement survival strategies to attain their goal of gaining competitive advantage in the challenging banking environment with tight monetary policies. A survival strategy assists the bank to improve performance and stay above competition at the same time gaining sustainability in the environment. Without a solid competitive strategy the banks are visible to risk of losing their market share, customers, employees and the quality of services.

2.1.4.1 The Porter’s Generic Strategies

According to Porter, (1985) a company should adopt a competitive strategy to gain a competitive advantage. There are two types of strategies namely the defensive strategies and offensive strategies. The elements of the strategy that makes the client to prefer services of a certain company instead of the other rivals gives sustainable competitive advantage. Porter, (1980) developed the term ‘sustainable competitive advantage’ discussing the basic generic strategies that a firm can pursue namely cost leadership, differentiation and focus.

2.1.4.2 Differentiation strategy

By this strategy a firm tries to offer unique products either through features, customer service, design, technology and branding for broad cross-section of the industry. A differentiation strategy involves the firm creating a service which is considered unique in some aspect the customer’s needs are satisfied (Dirisu, Iyiola and S., 2014). The researchers adds on that when a firm identify a reasonable differentiator to distinguish a brand it can benefit in gaining competitive advantage. Therefore this strategy to commercial banks is concerned about offering different loans and services distinct from those offered by the competitors. Wen-Cheng, Chien-Hung and Ying-Chien, (2011) highlighted that the firms that make it in differentiation strategy often possess strengths in:
• Research and development
• Highly skilled and creative service development team
• Strong sales team with the ability to effectively communicate the perceived strengths of the product
• Firm’s reputation for quality and innovation.

Sustainable competitive advantage can be achieved from advantages in core competencies and unique company resources. For that reason sustainable advantage can emanate from this strategy only when the distinction features are expensive for competitors to duplicate (Johnson et al., 2011). A bank can adopt this strategy since technological change is rapid in the industry and emphasizes service innovation and clients have different needs. Therefore it can select one or two dimensions that are widely valued by the customers and position itself to cater for those needs. For instance, bank’s clients includes schools, individuals, civil servants, Small Medium Enterprises (SME’s), farmers and Large and Local corporates and these groups have different needs.

Differentiation strategy allows the firm to provide services of perceived higher value to the clients and they are willing to pay a premium price. (Hahn & Powers, 2010) discovered that distribution, technology, relationship banking and service excellence as areas where financial institutions like commercial banks pursue their differentiation strategies. The logic behind this strategy according to (Auka, 2014), requires the firm to select the features in which to distinguish itself from the rivalry, that is the firm must be truly unique at something if it expects a premium price. To attain competitive advantage the premium price must exceed the costs incurred to reach the unique position. However this strategy incurs higher costs due since more is invested to secure distinct and superior features and build quality service. (Coyne, 2000) supports that competitive advantage is likely attainable if the output produced is of high quality, exceptional and have no close substitutes. Shammot, (2011) stated that quality has become a main differentiating factor among services and products in satisfying individual customer requirements. The study findings of Acquaah and Yasai-Ardekani, (2008) indicates the viability and profitability of implementing cost leadership, differentiation and the combination of the strategies. A conclusion was made that the benefits obtained from implementing both does not differ much from the efforts of the firm executing only product differentiation.
2.1.4.3 Focused strategy
This strategy can be distinguished into price-focus strategy and differentiation-focus strategy. It is different from the other strategies because it seeks to serve an unexploited segment in the market. The price-focus strategy is based on identifying a market niche instead of the broad customer segment and by doing this it aims low costs and lower price than of competitors. Cost advantages are gained from price-focus strategy. The strategic move secures the firm competitive advantage through serving a particular segment very well without any losses. Differentiation focus strategy rest on the premise that the firm identifies a niche and concentrate on it through differentiating features. For instance, the commercial banks can design mobile banking features that are specific to an unidentified group of clients’ needs that rivalry have not yet come across. If achieved, the bank gains competitive advantage since superior value cannot be imitated by new entrants or competitors in the market (Barney, 1991). However, there is risk of segmentation declines due to changes in tastes and preferences of a niche which can affect the firm if no innovative ways are undertaken.

2.1.4.4 Cost leadership strategy

This strategy requires the firm to produce products at lowest costs than competitors without compromising the features that the clients consider to be essential (Johnson, et al., 2008). Banks can charge lower interest rates than its rivals and secures a larger market share which ensures greater economies of scale that can sustain even lower interest rates. Cost leadership encompasses becoming the low cost firm in an activity and can operationalized as low costs, economies of scale, product or process design and low pricing (Johnson et al., 2011).

Once the firm is the overall cost leader it becomes difficult for the other firms to copy or imitate and it can still it can charge the same price with those of the rivals. (Pearce & Robinson, 2007) suggests that low-cost leader is capable of achieving higher profit margins since cost advantages
allows the leader to charge comparatively low prices hence has the ability to fight price wars effectively. Internet banking has tremendously reduced the time required to process the banking transactions hence making banking convenient and quick. Administrative costs and paperwork related to the transactions has reduced illustrating the cost effectiveness of the system. For this strategy to be successful to achieve competitive advantage the customer base should be large, the product is similar (deposits and loans), switching cost of buyers are low and the market is dominated by price competition. Furthermore, Porter (1998) suggested that cost advantage can be achieved if the firm practices cost minimization in advertising, research and development, service, marginal customer account, efficient procedures for training staff, cheap labor and so on. These cost minimization procedures like reduced research and development may compromise the firm’s efforts of being the above-average performer due to failure to differentiate from competitors which occurs when high expenditure is directed to such activities.

2.1.4.5 Diversification strategies
The deregulation, disintermediation, development of advanced technologies along with the consolidation wave in the banking sector have been instrumental in making banks to diversify their operations. The commercial banks in Zimbabwe have been exceeding their normal business operation and are venturing into insurance, investment and other non-banking activities. Literature suggest that there are several types of diversification namely geographical, source of income, economic sectors and product or services (Takami and Tabak, 2011) (Pennathur, Subrahmanyam and Vishwasrao, 2012). Diversification has ushered commercial banks to earn fee income from investment banking, insurance agency, securities brokerage and other non-traditional financial services (Lepetit, et al., 2005). Banks have managed to eradicate the inequality of geographical reach, exploit economies of scale and scope, diversify risk along with mobilization of additional capital and win benefits of advanced technology. Geographical diversification decreases default risk amongst small commercial banks at the same time improves risk adjusted returns (Meslier et al., 2016). (Landi and Venturelli, 2001) stated that big banks in Europe may attain competitive advantage through much more effective exploitation of the economies of scale and scope related to the diversification. Royal bank of Canada considered offering diverse services apart from the core payment and lending business which it is losing competitive advantage in (M Anorld 2018).
Acharya et al, (2002) concluded the determinants of diversification as risk reduction motive, low cost of capital, technology upgrade and decline in interest margin. Basically the variety of diversification strategies in the banking industry can be summarized under Direct Cross-Border Sales which entails trade of financial services without any physical presence of banks in target markets. For example the use of Mobile Banking by most commercial banks in Zimbabwe for ZIPIT, transfers and account services like balance enquiry. The category of direct cross-border sales of financial services is comprised of internet banking, telephone banking and conventional mail marketing. Diversification is a possible response to the market forces in the industry through internal or external diversification. Internal diversification involves widening the products or service spectrums offered to the customers and external diversification involves expanding services to markets outside the country.

2.1.4.6 Strategic Alliances

Gulati, (1998) defines strategic alliance as a voluntary arrangement between firms involving exchanging or co-development of products, technologies or services. This requires the two firms to own or possess common interest to achieve a particular task or objective since not all the organizations owns all the resources for competitive advantage(Ireland, Hitt and Vaidyanath, 2002). For example, in 2017 a strategic alliance between Stanbic bank Zimbabwe and Unki Mines was made when they launched Host to Host system for corporate clients to serve the need for the corporate clients to reduce costs and lengthy processes related to RTGS system. This strategy led to customer satisfaction as the bank managed to fulfil its promise to corporate clients meet their specific needs. Such activities influences the competitive advantage of commercial banks through customer satisfaction. However the two partners need to have the same vision, performance and built on good governance structure for better returns.

(Inkpen, 2008) highlighted that strategic alliances are inter-corporate, compliant agreements that lie in assortment with informal compliant agreements at one end of the spectrum, mergers and acquisitions at one end of the spectrum and many various forms between the two extreme. For instance, an implied, non- contractual agreement between an insurance company and the bank that they will refer clients to each other. According to the Financial Gazette of Zimbabwe (2000), banks
established alliances with the insurance firms as their survival strategies due to the harsh economic climate.

Strategic alliances are relatively flexible and easy compared to mergers and acquisitions or joint ventures when it comes to the operation approach of different firms to secure growth opportunity (Marciukaityte, et al., 2009). (Lee, et al., 2013) classified strategic alliances into resource alliance, technology alliance and marketing alliance. This means that resource alliance comprise of joint research and development of the resources and licensing of the bank, technology alliance includes technology transfer or system integration and marketing alliance includes marketing agreements or distributions. Many companies that have urge to gain competitive advantage are employing strategic alliance as their survival strategy which respond to competition and reduce uncertainty. Sustainable competitive advantage is highly likely to be created from the vertical complementary business level strategic alliances. However, many researchers argued that both vertical and horizontal strategic alliances provides permanent advantages the reason being that complementary alliances intends to create value compared to reducing competition and uncertainty which are meant to respond to competitor’s actions than attack competitors.

2.1.4.7 Merge and Acquisitions

A merger and acquisitions involves the combination of two business that are roughly of the same size in order to acquire another to gain control of the resources of business which may lead to change of ownership. Companies can merge, acquire or get acquired as a strategy to gain competitive advantage. Alan, Khan and FareehaZafar (2014), stated that when the survival of the firm is threatened, a firm can merge with the other to remain competitive. For instance when a bank desires to add a new product line, increase its distribution reach or enter a new market mergers are most suitable to achieve this (Sherman, 2010). That is in order to achieve the factors that can influence competitive advantage the mergers and acquisition are the efficient ways to achieve this. Sherman, (2010) goes on to say that the drivers of mergers and acquisitions in the banking industry can be the stiff competition or the desire to gain intellectual property. Jorgensen & Jorgensen, (2012) claimed that acquisitions are undertaken as business or corporate strategies and banks objective for applying this strategy is to increase its market share. Market share is an indicator of competitive advantage therefore as it increases the firm gains competitive advantage. However, Allied Bank formerly ZABG formed out of a merger of Trust, Time and Royal banks but did not
last long and surrendered its licence in 2015 (The Independent 2016). M Anorld (2018) mentioned that mergers and acquisitions are strategies or measures undertaken by banks in Europe to fight stiff competition from Fintech companies like Spain’s BBVA acquired a number of digital upstarts.

2.1.4.8 Total Quality Management

Total Quality Management (TQM) refers to the integration of processes and functions in a business in order to improve the endless improvement in quality of products and services for customer satisfaction. (TQM) is a strategy for gaining competitive advantage amongst commercial banks since it is capable of retaining customers and responding to competition in the industry. Grant (2008) highlighted that Total Quality Management is the managed process which involves people, systems, ancillary tools and procedures. Ganapavaru LK et al (2015) pointed out there are eight TQM dimensions of competitive advantage implementation in regards to TQM namely leadership, customer focus, teams of people, security/system approach, continuous improvement, reliability, process management and supplier’s management. The eight dimensions are monitored so that efficiency, customer satisfaction, strategy implementation and creation of quality service leads to competitive advantage. According to Johnson et al., (2011), TQM is a strategy for improving business performance through the commitment and contribution of all the employees to fully satisfying set customer requirements, at the optimum overall costs through the continuous improvement of the products and services, business process and people involved. Therefore TQM is a route to sustainable competitive advantage since it is driven by customer needs, providing value and being the above average performer that rivals fails to imitate.

2.1.5 Challenges of strategy implementation

Christensen & Donovan, (2010) highlights that the process of strategy implementation is based on the three conditions which includes an understanding by the managers on the importance of the initiative, taking the necessary measures for achieving the set goals and ensuring the independency of strategy implementation from external forces like political factors. An awareness of the
challenges of strategy implementation by the management assist them to derive solutions or means to reduce the challenge so that they can flawlessly execute their strategies. Banks in Zimbabwe seem to be losing competitive advantage as witnessed by the decline in customer base due to lack of effectiveness in marketing strategy implementation. Implementing strategy has always been a challenge for organizations. The ability to implement strategy determines the success and failure of a company’s competitive advantage (Jooste and Fourie, 2009).

Poor corporate governance as a challenge facing banks in strategy implementation. Good corporate governance safeguards depositor’s funds because most of the decisions are taken by the senior management and the board. Becht, et al., (2012) supports this notion pointing out that the fact that good corporate governance makes most of the decisions, the monetary authorities are forced to tighten corporate governance issues to increase public confidence. Unfortunately this is not the case with the Zimbabwe monetary authority. Shapiro, et al., (2011) claims that good corporate governance has been considered as the survival strategy. Failure of the Barbican bank in Zimbabwe was mainly caused by poor corporate governance which hindered the execution of strategies that could influence its competitive advantage. A bank is expected to have an adequate number and composition of an independent board that is not involved with the daily operations of the bank and also high degree of transparency in corporate governance issues. The board is believed to have the final approval of the strategy in an organization and they hold the keys to the success of it. Malpractices by the banks are barriers for strategy implementation since the leaders lacks foresight beneficial to the firm that encourage staff participation. Carte & Pucko, (2010) pointed out that a well communicated strategy with effective group of skills and human resources are vital resources and only poor leadership is the challenge to strategy implementation.

Adequate resources challenges the successful implementation of strategies. Commercial banks are failing to increase their brand awareness due to failure to execute strategies. Lack of adequate resources to allocate is a barrier to capital intensive marketing strategies implementation (Perry, 2008). A strong team is required to realign firm’s resources with new strategies that is concentrated on a new niche or essential customers. Furthermore most organizations depends on the human resources’ capability to implement strategies. Sweeney et al (2005) noted that strategy implementation depends crucially on the human resources and less on the organization and system.
related factors. Hussey, (2010) argues that it is significant to make sure that the people who are involved in the strategy implementation process have the skills and knowledge to make it easier to assign duties without incurring any losses. Steward bank has gained market share due to highly experienced management team and board members that it hired who had complete understanding of the factors that could influence competitive advantages and the strategies to survive the challenging environment.

Effective communication motivates the employees in the strategy implementation process through training and learning during the process. According to Skivington & Daft,( 2011) employees who are not instructed creates their own ideologies on what should be done and their responsibilities. Furthermore effective communication stretches out to stakeholders and they need to use various channels of communication to outline the various activities of the strategies. Strategic quick decision making is one of the duties of top management in an organization as they shape the direction the organization is to take in the competitive environment. Schmidt & Brauer, (2006) cited the board of directors as one of the key subjects in the strategy implementation process of the organization. As argued by Nobble, (1999), if the lower level management and non-managerial employees are not well informed of the issues concerning to strategy implementation then the strategy cannot succeed. For instance, differentiation strategy in terms of unique customer service cannot be achieved if the tellers and the other employees are not well informed for their total participation. Employees tend to work towards their own personal preferences when the objectives are not clearly outlined reducing customer satisfaction and industry competitiveness to organization (Wheelen and Hunger, 2006).

The firm will have to adjust the organogram so as to deal with changes in the operating environment. The arrangement of the organization should also be dependable on the strategy to be implemented. Moreover, the nature of the organizational structure to be used in implementing strategy is influenced by the environmental constancy and the interdependency of different units (Dooley, et al., 2000). Strategic implementation of competitive strategies depends on the core competencies of the firm hence compatible technology, general firm’s activities and skilled expertise can problems which hinders strategy implementation and gaining competitive advantage.
2.2 Theoretical Models and frameworks

Literature acknowledged that there are several models that interpret the bases of competitive advantage to an organization. The theories include the following the Competency theory by (Prahalad & Hamel, 1990), the value disciplines by (Treacy & Wiersema, 1993), the Value Chain theory by Porter (1985) and The Resource Based View Theory by Grant, (1991).

2.2.1 The theory of core competences

The theory of ‘core competences’ proposed by Prahalad and Hamel states that competitive advantage originates from the foundation of superior capabilities that are designed to create customer value and achieve cost and differentiation advantages increasing profitability. The firm should have unique capabilities and unique company resources and superior value chain activities management to have advantages in core competencies. It is alleged that core competencies of three basic features which are it creates convenience to wider variety of markets, it increases the generally known values and customers benefits and it is difficult for the rivals to imitate the trend (Prahalad and Hamel, 2002).

Core competencies is deep skill that allows a firm to provide superior services that are valuable to clients, (Rigby, 2017). Conversely distinctive competences are core competencies of a company that are impossible for competitors to duplicate. The bank’s core business competences are the provision of first class customer service but distinctive competences are nurtured within the firm so that high quality customer service can be provided. The customer service should be expensive or difficult for the rivals to imitate hence becomes the basis for long-lasting competitive advantage. Superior match between customer needs in the market and core competencies leads to competitive advantage, (Keegan & Green, 2003). Banks hence focus on attaining competitive advantage in order for them to react and compete effectively in the market. Identification of core competences by the banks enable them to concentrate on areas that outperform their competitors and provide a competitive advantage (Pearce & Robinson, 2007).
2.2.2 The Resource Based View Theory

The resource based view theory (RBV) describes competitive advantage as the role key resources like distinct combination of assets, intangible assets and know-hows enhances competitive edge. Kinyungu & Ogollah, (2017) stated that the Resource Based View of an organization highlights the firm’s internal environment as a driver for competitive advantage and underlines the resources the firms have established to compete in the environment. (Akio, 2005) argues that the firm’s ability to unify these key resources assists in gaining competitive advantage. (Thompson, 1967) identified the company’s resources as the physical, human and technological resources, yet early researchers classified the firm’s resources as monetary, physical and human (Kinyungu & Ogollah, 2017). The human resources is viewed as the most important resource that a firm may own. The use of the RBV identifies the key resources which can influence competitive advantage such as the skills, experience and knowledge of as the key contributor of the firm’s capabilities (Musyoka, 2012). Lack of adequate resources to successfully implement strategies causes firms to lose competitive advantage. The enhancement of the skills and expertise of the human resource improves strategy development in the organization. Most of the resources of an organization depends on the capability of the human resources side for strategy implementation. The technological resources cannot influence competitive advantage without the human resources intervention in strategizing and allocating resources based on available opportunities (Singh, 2016). The superior performance of the bank is reflected in the service innovations of the bank and higher profits. Kinyungu & Ogollah, (2017) pointed out that the researchers subscribing to RBV claim that only strategically essential and convenient resources and competencies should be viewed as the sources of competitive advantage. Nevertheless, Powell (2010) suggested that the business strategy comprised of cost leadership strategy, differentiation strategy and focus strategy can be regarded as a tool to manipulate such resources to create competitive advantage. According to the (RBV) theory the key resources reveal certain characteristics which foster strategy implementation to ensure sustainable competitive advantage. This is only possible when the resources and capabilities of the firm are superior to those of the competitors and cannot be imitated (Gantt, 2008). However, the primary principle of the theory is that each firm holds distinct and unique set of resources like trademarks, patents and goodwill hence the fundamental ways differs.
2.2.3 The value chain Model

Michael Porter (1985) introduced the value chain to depict how customer worth is obtained along a chain of activities that lead to an end product or service. The value chain suggests that competitive advantage originates from internal activities the firm undertake to design, produce, market, deliver and support its product. Porter (1985) described the activities to be common to a wide range of companies including commercial banks. Therefore the strategy and the firm’s approach to implementing strategies can be reflected from the interconnected activities.

Value Chain Analysis attempts to consider the firm’s cost across these activities to generate profit and note down where cost disadvantages exists (Mnajala, 2014). Porter (1985) describes the two major categories of business activities as primary activities and support activities. Primary activities are the actions with direct involvement with the physical creation through research and development to create services or products with unique features, marketing, delivering to the customer in most convenient ways and after sale support. Support activities are responsible for the provision of inputs that are required for primary activities to commence on an on-going basis in the form of procurement, technology development, human resource management and firm infrastructure.

Commercial banks may hire skilled workforce through conducting timeous training, service innovations in form of use of convenient customer devices and constant infrastructure renovations to support the primary activities. The value chain is used by companies to understand better segments, price points, and product differentiation and distribution channels to capture maximum value for their clients to yield competitive advantage. According to Pearce at el (2009), the value chain approach weighs competitive advantage through determining the sources of profitability and the relative costs so that the value created exceeds the so as to generate a return from value creation.
2.2.4 The Value discipline Model

The modern world’s firms have become market leaders in their industries by focusing on delivering superior customer value through following certain value disciplines. The value disciplines includes the customer intimacy which consists of producing tailor made services or products that meet the needs of an identified niche. According Erickson, et al., (2014) customer intimacy can also be termed product leadership and it comprises possessing a competitive policy that intends to promote continuous production of superior services than those of the rivals. Operational excellence as another value discipline includes offering clients reliable and convenient services at competitive prices.

Commercial banks core business is offering loans and accepting deposits hence supplying reliable car loans to civil servants at convenient terms and conditions outperform the competitors. Application of methods that reduce operational costs in order to eliminate in-between activities that tend to increase transaction costs and other costs is a way for a firm to gain competitive advantage through operational excellence (Zahorsssky, 2017). On the other hand customer intimacy can influence competitive advantage through focusing on segments and targeting markets perfectly and then producing services to match the needs of the niche. Banks modify their services to meet special needs of both individual clients and corporate clients to create customer loyalty.

Firms seeking product leadership should be creative with operational flexibility that is taking into consideration complaints of stakeholders in suggestion boxes and take action quickly. Veiweire and Relovo (2009) suggests that product leaders must continuously review their ideas and come up with new strategies to solve the problems that are likely to arise due to their latest service introduced in order to gain sustainable competitive advantage.
2.3 Empirical Literature

2.3.1 Factors influencing competitive advantage of commercial banks in Zimbabwe

Kihara (2015) in his study which was on the effect of mobile banking on competitive advantage of commercial banks in Kenya discovered that majority of the commercial banks are using mobile banking services to ensure that they gain competitive advantage through delivering products that are highly differentiated. Kinyungu & Ogollah (2017) in his study concluded that differentiation as the competitive strategy implemented by most commercial banks in Kenya and contributes significantly to its performance (competitive advantage).

The study of (Rothaermel, 2016) on the competitive advantage in technology intensive industries highlighted that there’s need for an organization to engage in continuous improvements in the value, costs minimizations and services of an organization. The findings of (Chahal and Bakshi, 2015) in his study on Examining intellectual capital and competitive advantage relationship shows that intellectual capital through innovations and technological equipment has a great influence on the competitive advantage.

Owiye, (2013) discovered in his study that competitive strategies are only vital when the company is developing its ultimate approach to attain competitive advantage in terms of low price, market position and niche set aside, the strategy of growth (mergers and acquisition) and that if a firm does not pursue these strategies it will lose its competitive advantage compared to the firms that pursue a generic strategy.

Gitonga, (2015) examined the factors influencing competitive advantage amongst commercial banks in Kenya and determine the advantages such factors provide to the banks. In her study he adopted stratified sampling and data was collected from the senior staff only. It was concluded that the major advantages were attained through product or service differentiation in terms of costs and customer experiences but the commercial banks have almost uniformly adopted competitive strategies based on responsiveness to the environment, technological assets, superior products and Services. That is she believed that the senior staff excluding the junior staff have greater perspective on the factors influencing competitive advantage.

Awiti, (2012) carried out the similar study on factors influencing competitive advantage of commercial banks in Kenya. The study revealed that the number of products offered by the bank, marketing strategy adopted, technological advances, ownership structure and customer satisfaction
as the major factors influencing the types of competitive advantages enjoyed by commercial banks in Kenya.

Gebaur et al (2011) conducted a study to investigate the effects of environmental changes in gaining competitive advantage of commercial banks in United Kingdom. The study targeted all the commercial banks using descriptive research design and concluded that services offered by the bank are more visible and labour dependent which makes them a strategic opportunity and source of sustained competitive advantage. Literature review shows close relationship between the factors influencing competitive advantage and the survival strategies that links to competitive advantage for commercial banks in different countries except for Zimbabwe.

Wen-Cheng et al (2011) in his study to explore the relationship between competitive advantage and technological innovation concluded that competitive advantage cannot lead to innovation alone but should be complemented by other organizational factors of competitive advantage like human resource and organizational culture. Wen –Cheng et al (2011) also highlighted that each generic strategies of competitive advantage should work hand in hand to create the most competitive advantage for the firm rather than being independent.

(Ndede, 2010) ,conducted a study that looked at the challenges faced by Barclays Bank of Kenya and the strategies it employs to gain competitive advantage. The outcomes of the study was that the Barclays Bank of Kenya offered better prices at improving margins by charging a premium price , mainly to reveal the increased production costs and extra value added features offered to the clients using the differentiation strategy.

The study undertaken by Vargo and Lusch (2008) on the role of service uniqueness on attaining competitive advantage, reasoned that the value creation is led by the services offered based on the competency of the firm and client resulting into inimitable resources. The argued on stating that the uniqueness of the services enables commercial banks to gain competitive advantage but it requires great skills to create a service that cannot be copied.
2.4 Gap Analysis

From the previous studies reviewed, it is evident that several research works which covers the factors influencing competitive advantage of commercial banks in various parts of the world have been conducted. The studies have generally proved that there are both internal and external factors that are crucial to competitive advantage of commercial banks emanating from the bank itself in terms of its nature and strategy formulations and the nature of the operating environment stimulated by the state of the economy respectively.

2.5 Chapter Summary

To sum up, this chapter presented the literature review. It addressed theoretical models and frameworks which highlighted on explaining competitive advantage like the core competencies theory, resource based theory, Value chain model and the Value Disciplines Model. Conceptual frameworks were presented using the forces to determine the competition in the industry and competitive advantages. There was also review of literature on the strategies adopted to gain competitive advantage by commercial banks and challenges to implementation of those strategies. The next chapter presents the research methodology which highlights the methods used to collect and analyze data.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter is devoted to the presentation and discussion in detail of the methods used and steps undertaken in collection and analysis of data necessary to accomplish the purpose of the study. It illustrates the actual procedures used to investigate the factors influencing competitive advantage of commercial banks in Zimbabwe. The methodologies used were interrelated with the objectives of the study and methods also undertaken by various other authors in the literature. It constitutes the research design, research sample, research population, research instruments, data collection procedures, data presentation and analysis procedures and lastly conclusion which concludes this chapter.

3.2 Research Design

The research design is an approach and arrangement considered in a bid to obtain solutions to research problems, it is also referred to as the blueprint collection, measurement and data analysis (Blumberg, et al., 2008). The research adopted the descriptive survey design. A survey is also a method of descriptive research based on primary data with a representative sample of respondents from the target population. A descriptive design is a logical research method involving observations and description of a particular situation. The method tries to sketch a given scenario without actually clarifying the relationship between the variables (Kothari, 2011). The descriptive survey design also requires the use of specific data collections like questioning people called respondents for information through interviews or written questionnaires. From the adoption
descriptive design, the researcher is granted a chance to use qualitative and quantitative data altogether discover on the characteristics about the population being studied (Bryman & Bell, 2011). The researcher used the primary sources to focus on the detailed collection of qualitative data through questioning respondents and secondary sources like newspapers to focus on the collection of quantitative data. This research design assist the researcher to describe the characteristics of the variables which the researcher is curious about in a situation (Sekaran & Bourgie, 2013). In effect this fits the descriptive nature of the study which aimed the specific factors influencing competitive advantage of commercial banks in Zimbabwe.

3.2.1 Justifications of Descriptive survey design

Surveys provide quick, effective, affordable and accurate means of assessing data about a population (Zikmund, 2003). The nature of the design allowed the researcher to obtain facts and state of affairs as they are on the ground without consuming much time through interviews and self-administered questionnaires. The descriptive design provide answers to questions regarding what, who, how therefore this design is appropriate to the study as the researcher was at a position to identify what the factors influencing competitive advantage of commercial banks in Zimbabwe.

3.3 Research Population

(Sekaran, 2000, p. 43) defined population as “the entire group of people, events, or things of interest that the researcher wishes to investigate”. The monetary policy statement (2018), highlighted that there are 13 licensed commercial banks as at 31 December 2017. The population of the study consisted of the managers and tellers of the 13 commercial banks headquartered in Harare. The capital city of Harare was used as head offices of the banks are concentrated in the area. This means that the thirteen commercial banks defined the target population of the study.
3.4 Research Sample

A sample design is a certain plan for locating the appropriate sample from a given population (Kothari, 2011). In this research, the researcher carried out judgmental sampling to randomly pick the respondents that were to respond in Harare. The sample achieve the requirements of efficiency, representatives, reliability and flexibility hence the researcher considers it to be relevant in partaking the study. Judgmental sampling is a non-statistical method where the researcher selects units to be sampled based on their knowledge and experience. This method provides reliable information at a very low cost and takes less time to administer and acquire results rather than using the entire population. The limitation of judgmental sampling is that if the sample is small it may not be the truthful representation of the entire population (Saunders, et al., 2010).

3.5 Sample Size

The sample size is the definite statistical figure of the participant that would be representatives of the population under study (Blumberg, et al., 2008). In this research respondents which consists of Chief Executive Officer, functional manager and tellers from each commercial bank’s head office were given a questionnaire and some interviewed. This group was chosen from a population of 13 commercial banks because it is responsible for each branch’s competitive position and the factors influencing competitive advantage. The population of 13 commercial banks in Zimbabwe is fairly small and deemed vital to collect data from all the commercial banks headquartered in Harare.

Table 3.1 Target Respondents

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officers</td>
<td>13</td>
</tr>
<tr>
<td>Departmental Manager</td>
<td>26</td>
</tr>
<tr>
<td>Functional Managers</td>
<td>13</td>
</tr>
<tr>
<td>Tellers</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65</strong></td>
</tr>
</tbody>
</table>
3.6 Research Instruments

The research instruments are techniques used for gathering data required to find the results to the questions under study. The researcher used primary and secondary sources of collecting data to come up with a robust conclusion. The research is both qualitative and quantitative. It is quantitative because it involves the measurement of competitive advantage indicators like profits and cost advantages of banks and the results are usually displayed using graphs or tables. Qualitative research on the other hand focuses on the non-numerical, descriptive and reasoning words to come up with the quality phenomenon of the subject (Bryman & Bell, 2011). The qualitative nature of this research is uncovered by the need to uncover thoughts and opinions to gain insights and understanding of the problem setting. The instruments used for data collection are questionnaires and interviews.

3.6.1 Primary data

The research used primary data to accomplish the objectives of the study and the information is first-hand information. The data is undiluted and raw as it expresses the true opinion of the respondents and the data is very recent and up to date. Primary data is obtained from the direct efforts of the researcher therefore it gives more valid data specific to the study. The other advantage of primary data is that there was an option of preserving the anonymity of the respondent when required therefore the respondents opinions were unbiased. In addition to that the researcher got hints useful to the research especially in the case of interviews and observations.

The major limitation of primary data was that it distorted results obtained from the research due to the unusual behavior of the sample in the presence of the interviewer or ignorance. The collection period of the data was lengthy during the research hence it was time consuming. In this research top officials of the bank like the Chief Executive Officers work on a busy schedule and more time was consumed in order to gather up data from them. Primary data was collected using questionnaires and interviews.

3.6.1.1 Questionnaires
A questionnaire is a method of collecting data comprised of a series of written questions to which selected participants are expected to air out their views or what they do (Collins & Hussey, 2003). Open ended questions enabled the respondents to elaborate more when answering rather than a simple Yes or No answers from close ended questions which tend to limit the information to the researcher.

Questions and response formats were determined so that drafting a questionnaire was done according to the objectives of the research of investigating factors influencing competitive advantage of commercial banks in Zimbabwe. The researcher took pre-control measures before administering the questionnaires to ensure that the questions were clear and unambiguous for the topic under review. This avoided misinterpretation of questions by participants and easy analysis of data by the researcher. Questionnaires were channeled through the personal assistants of the Chief Executive officers and functional managers since there were busy. The participants were notified that the research was an academic exercise and no disclosing of names was involved. Detailed responses were encouraged as questions were answered without fear. The researcher communicated through the telephone with the personal assistants to remind the managers to fill the questionnaires after administering them. This increased the response rate to the researcher and administering questionnaires to the managers gave them sufficient time to respond to the questions with accuracy. Collection of the questionnaire was done a week after administering them and the researcher made sure the respondents were assured the confidentiality of the information to be elicited.

3.6.1.1.1 Justifications of Questionnaires

Questionnaires were more objective and unveiled the details that were relevant and useful in fact-finding throughout the study.

It assisted the researcher to get information from a different population as they could circulate to a wide range of participants.

Questionnaires promoted the confidentiality since the anonymity of the respondent could be maintained.
Quick results were obtained as information was obtained from a large population in less time.

The participants responded to profound issues on the questionnaire honestly better than face to face hence precise data was obtained which was unbiased.

The questionnaires were cheaper to administrate as they gave room for different individuals to be assigned to distribute the questionnaire despite being well versed with the research telephone and transport costs were incurred to send out and collect the questionnaires.

3.6.1.1.2 Limitations of Questionnaires

The questionnaires leaves no room for explanations to some point hence are standardized.

The respondents at some point answered hastily when the questions were too long and biased responses were obtained.

The questions were highly misinterpretation and this led to responses that were not in line with the question under study.

**Ways to mitigate**

3.6.1.2 Interviews

An interview is a direct interaction between the researcher and the respondent whereby firsthand information is obtained on the experiences (Saunders, et al., 2007). Only tellers and departmental managers were interviewed and they shared information regarding their experiences and opinions on the determinants of competitive advantages of the bank. Interviews seek to get personal experience and in depth understanding of the respondents, (Sekaran & Bourgie, 2013). Interviews were conducted to a smaller population as the most top management were busy running other errands of the day and interviews would be time consuming.

The researcher adopted the use of semi-structured interviews to overcome the complexities of questionnaires of misinterpretation of questions, the interviewer gets to clarify the questions increasing the likelihood of useful responses. Semi-structured interviews is when the interviewer use predetermined questions to which the interviewee had to response to although they may vary from person to person. The researcher read out each question to the participant and recorded the
responses on schedule and at times omitted some questions in some interviews with the tellers. Interviews allows interactions between the interviewer and the interviewee and yields rich data.

3.6.1.2.1 Justification of interviews

This data collection instrument is useful since the respondents explains themselves better than questionnaires can do. Interviews provides clarity on some issues that appear to be difficult to understand like the names of strategies employed by some commercial banks were difficult to understand without further explanations. Although interviews are time consuming they allowed the interviewer to be flexible through interactions with particular participants like tellers. The researcher managed to get in-depth knowledge on the subject matter as the respondents tolerated longer interviews than longer questionnaires.

3.6.2 Secondary Data

Secondary data is not obtained from the main source it is data that has been obtained by the other researchers for other uses (Bryman & Bell, 2011). The data is collected from the third parties like internet, textbooks, annual financial statements and journal. This data is not obtained from within the organization. In this study information pertaining to the competitive advantage indicators like profitability and market share and literature reviews were extracted from the commercial bank’s published financial statements and research journals respectively.

3.6.2.1 Justification of Secondary Data

Generally obtaining secondary data was easy since most of the financial statements are historic in nature, they are released year in and out and they could cover all the years the study stretches to. This made it easier for comparisons to be made for all the banks. Secondary data assisted the researcher to fulfill the objectives of the study by providing background and literature review information. Furthermore it is less costly to collect and requires less effort, however the data may not be accurate and certain assumptions have to be done.
3.7 Data Validation and Reliability

The procedure of testing for data validity and reliability ensures that the targeted respondents respond correctly to the questions handed over to them as anticipated considering the topic being researched. Validity was accomplished with the use of professionals in the field like my supervisor evaluated whether the questionnaires would provide significant results that assist to address the research questions of the study. Validity is the extent to which the findings have addressed the research questions (Saunders, et al., 2010). A pilot test was done on both the questionnaire and interviews to reveal the misconceptions of the respondents and it points out where there is need for rephrasing the questions. The researcher managed to obtain rapid responses as the questions were easy to interpret. Reliability of the data was achieved by using the Cronbach’s Alpha which is a measure of internal consistency illustrating how closely related a set of items are as a group. Reliability is the extent to which diverse methods in the research yields uniformity (Saunders & Lewis, 2012). Reliability was tested using the Cronbach’s Alpha test of which it is preferable when it is above 0.7. In addition to that the researcher adjusted the research instruments accordingly for instance use of similar questions were used in both questionnaires and interviews to ensure the reliability of the study.

3.8 Data Presentation and Analysis Plan

The researcher personally administered and retrieved the primary data from the respondents to analyze it. Onsite visits for data collection of completed questionnaires from the targeted respondents were done after 48 hours of administration. The study used a descriptive design hence qualitative data analysis was undertaken. Graphs, bar graphs and pie charts were the quantitative visuals that were used for data analysis and narrations and descriptions were incorporated for qualitative analysis. Data pertaining to questionnaires was summarized and was realistic matching to quantitative measures in the form of calculated percentages. This was useful to the study as it enhanced quick interpretation of results. Microsoft Excel and Statistical Package for Social Sciences (SPSS) were used for data presentation and analysis. Qualitative analysis on the reviewed literature provided reasonable view of the data findings.
3.9 Chapter Summary

This chapter looked at the research methods or how the research was carried out. The research adopted descriptive research design to achieve the objectives of the study. The sample for the analysis was done from the commercial banks in Harare. Respondent in the commercial banks were selected using judgmental sampling. To ensure the richness of the study, primary data and secondary data sources were used that is questionnaires and financial statements. The chapter briefly outlined how the data was to be organized, assembled and analyzed to present findings from the research topic. The next chapter focuses on data presentation, discussion and interpretation of the research findings.
CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents the findings of the study and discussions on the data extracted from the various sources to enhance interpretation and analysis. This is done to give conclusion to the topic under study to investigate the factors influencing competitive advantage of commercial banks in Zimbabwe. Findings were gathered from the respondents through questionnaires, secondary data and interviews. The researcher adopted the statistical soft wares which include EXCEL 2013 and Microsoft word to present data using pie charts, tabulations and bar graphs. The last paragraph is the summary, which highlights major issues raised and gives focus of the following chapter.

4.1 Response Rate Analysis

The response rate of questionnaires that were issued and those returned are shown on the table below. The table below also shows the response rate from the interviews and questionnaires that were not returned.

Table 4.1 Questionnaire Response rate

<table>
<thead>
<tr>
<th>Tools</th>
<th>Total Number of questionnaire and Interviews</th>
<th>Received responses</th>
<th>Not Responded</th>
<th>Response percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires</td>
<td>65</td>
<td>48</td>
<td>17</td>
<td>73.85</td>
</tr>
</tbody>
</table>

Source: Primary data

The researcher administered 65 questionnaires, 26 to the top management and the remaining 39 to the lower management and the tellers to make a total of 65 questionnaires. 17 respondents failed to respond to the questionnaires due to other commitments. The response rate of the questionnaires had an average of 73.85%, the researcher feels that this is significant enough to reach a meaningful
conclusion. The response rate was regarded as significant as it is above 50% of the total population as supported by (Bryman & Bell, 2003).

4.2 Demographic Analysis
This section provides presentations of findings the researcher obtained through administering questionnaires. Demographic information in relation to number of years the participants have been working at the bank, their role in the organizational structure and nature of ownership of the bank is also covered.

4.2.1 Working experience of the employees at the bank
The table below shows data collected regarding the length of time spent with the organisation.

Table 4.2 Working Experience of the employees at the bank

<table>
<thead>
<tr>
<th>Number of years</th>
<th>Total number of people</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 3 years</td>
<td>6</td>
<td>12.5</td>
</tr>
<tr>
<td>3 – 5 years</td>
<td>10</td>
<td>20.83</td>
</tr>
<tr>
<td>6 – 10 years</td>
<td>26</td>
<td>54.17</td>
</tr>
<tr>
<td>More than 10 years</td>
<td>6</td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data (2019)

From table 4.2 it can be observed that from the 48 participants who responded all of them are currently employed by the bank. It also sought to determine the number of years the participants had worked in their bank. The results in table 4.2.1 show that the majority indicated by 54.17% had worked for a period of between 6 – 10 years, 20.83% indicated that they had worked for a period between 3 – 5 years, 12.5% indicated that they had worked for both over 10 years and for less than 3 years. The findings show that the respondents had vast knowledge on organizational activities and they have an appreciation of the competition in the banking sector including the determinants of competitive advantage. Furthermore long working experience builds trust within the organization and the employees makes efficient decisions. (Evans, 2013) agrees with this notion when he highlighted that tangible resources like furniture or vehicles decrease with use in the organization but knowledge increases with experience.
4.2.2 Responsibilities in the organizational structure

Figure 4.1 Responsibilities in the organizational structure

Source: Survey Data (2019)

The results showed that the researcher obtained bulk of the data from the departmental heads and tellers as they were always available at the bank. The chief executive officer were out of office due to their busy schedule therefore none participated. The findings illustrated on fig 4.2.2 illustrates that 22.92% functional managers, 52.08% departmental managers and 12.5% tellers participated. This implied that the targeted categories like departmental heads and functional heads were well captured by the study despite no participation by the CEOs due to their busy schedule. The departmental heads provided detailed information which was influential for competitive advantage of the bank, functional managers like marketing managers provided the strategies that were adopted.
4.2.3 Nature of Commercial Bank Ownership

![Nature of ownership chart]

Figure 4.2 Nature of ownership of the bank

Source: Survey Data (2019)

As shown on Fig 4.2 the study found that there were more foreign owned banks in Zimbabwe than local owned banks as shown by 58.33% foreign owned banks than 41.67% local banks. This shows that both types of ownership are represented in the study, however there was nature of ownership parity.

Table 4.3 Number of years of bank operation

<table>
<thead>
<tr>
<th>Number of years</th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 – 10 years</td>
<td>12</td>
<td>25</td>
</tr>
<tr>
<td>10 – 20 years</td>
<td>6</td>
<td>12.5</td>
</tr>
<tr>
<td>20 – 50 years</td>
<td>24</td>
<td>50</td>
</tr>
<tr>
<td>Above 50 years</td>
<td>6</td>
<td>12.5</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data (2019)
Table 4.3 shows that 50% of the commercial banks have been operating in the industry from a period of 20-50 years, 25% for 5-10 years, 12.5% for a period of 10-20 years and above 50 years. This infers that the majority of the banks are well versed with the operating environment they are in and have survived the competition forces up to date. The banks between 5-10 years represents the new entrants that are yet to figure out survival strategies and the factors that influences their sustainable competitive advantage.

4.3 Determinants of competitive advantages of commercial banks in Zimbabwe

The findings of the research indicated that different commercial banks have different factors that influence their competitive edge but a few proved to be outstanding. The factors ranges from technology and service innovation, leadership qualities, corporate social responsibilities activities, customer satisfaction, ownership structure, cost reduction, adopted marketing strategy and pricing.

Table 4.4 The contribution of the determinants on competitive Advantage

<table>
<thead>
<tr>
<th>FACTORS</th>
<th>Technology and service innovation</th>
<th>Corporate social responsibilities activities</th>
<th>Ownership structure</th>
<th>Cost reduction</th>
<th>Marketing strategy</th>
<th>Leadership qualities</th>
<th>Pricing</th>
<th>Customer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>4.44</td>
<td>1.79</td>
<td>3.38</td>
<td>4.79</td>
<td>3.94</td>
<td>3.44</td>
<td>1.92</td>
<td>3.46</td>
</tr>
<tr>
<td>N</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
<td>48</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>.943</td>
<td>.967</td>
<td>1.331</td>
<td>.504</td>
<td>.909</td>
<td>1.270</td>
<td>1.164</td>
<td>.874</td>
</tr>
</tbody>
</table>

Source: Survey data (2019)

The findings of the study as shown in table in table 4.4 above indicates the contribution of each factor to the competitive advantage of the commercial banks. The factors were illustrated using a rating scale from one to five, whereby one, two, three, four, five represents not at all, little, moderate, great and very great respectively.

From the response obtained from the participants, cost reduction had a very great contribution on the competitive advantage of the commercial as evidenced by a mean score and standard deviation of 4.79 and 0.504 respectively. Technology and service innovation had a great contribution with a mean score of 4.44 and standard deviation of 0.943. A mean score of 3.38 and a standard deviation of 1.331 for the ownership structure indicates that it has a moderate contribution to competitive advantage. The marketing strategy undertaken have a great contribution on the competitive
advantage of the commercial banks in Zimbabwe with a mean score of 3.94 and standard deviations of 0.909 respectively. Leadership qualities and customer satisfaction of the commercial banks also had a moderate contribution to competitive advantage illustrated by mean scores of 3.44 and 3.46 and standard deviation of 1.270 and 0.874 respectively. The mean scores of 1.92 and 1.79 for both pricing and corporate social responsibility activities respectively have little contribution to the competitive advantage of commercial banks in Zimbabwe. This proved that the two were the least common factor which influences the competitive advantage of commercial banks in Zimbabwe. The findings of the study revealed that cost reductions have the greatest influence on the competitive advantage of the banks. Ferdinand (2013) had similar findings in his study on the competitive strategies applied by Tesco company in UK and he pointed out that the company had competitive edge which emerged from the stressing of low costs. The findings of the research shows that technological and service innovation have a great influence on the competitive advantage after cost reductions. Sun (2017) in his findings on the effects of technology on the operations of commercial banks in Tanzania pointed out that the banks that frequently acquiring technologically advanced equipment and upgrading their transactions equipment hence specifically gained competitive advantage in the sector. The results of this study contradict with the findings of Wasike, (2011) on the competitive strategies adopted by Barclays bank in response to the industry competition found out that marketing of the financial innovations in Small and Medium Enterprises segment and service innovations and processes were the key contributors to competitive advantage of commercial banks not cost reductions.

4.4 Adopted survival strategies for competitive advantage by commercial banks in Zimbabwe.

To determine the strategies adopted by the commercial banks to gain competitive advantage the respondents were asked to respond to the rating scale on the questionnaire. The respondents revealed their opinion indicating their level of agreement, 1,2,3,4,5 representing strongly disagree, disagree, neither agree or disagree, agree and strongly agree respectively.
The findings revealed that 37.5% of the respondents strongly disagreed that the diversification strategy is being adopted at their commercial banks to achieve competitive advantage. The diversification strategy in Zimbabwe aims mainly on loan diversification whereby the commercial bank offers loans that meet the customer needs. For instance, school fees loans for students and car loans for civil servants, this has created opportunity for commercial banks to gain competitive advantage. Fee incomes are also likely to be obtained from insurance agency, securities brokerage and other non-traditional financial services by commercial banks since it spreads out to the entire economy.

Abishua (2010) found out in his study on the strategies used by Equity bank to compete in Kenyan banking industry that product offering diversification responds to the competition in the banking sector. Therefore the response of participants come to an understanding that diversification strategy is being adopted but are not in unison that it influences competitive advantage. Berger et al, (2010) had similar discoveries in study on the Effects of focus versus diversification on bank
performance using data on Chinese banks. He pointed out the dimensions of diversification strategy like loans, geography, assets and deposits does not achieve competitive advantage but lead to reduced profits and higher costs.

A well-developed diversification strategy leads to competitive advantage, so that efficiency and customer satisfaction will be promoted. The concept of diversification is only advantageous if the commercial banks offer differentiated products or services, unlike loans and deposits unless the bank appeal to an unidentified target market.
Figure 4.4 **Product differentiation strategy**

Source: Survey data (2019)

As shown by the graph above the respondent neither agree or disagreed that product differentiation strategy is adopted by their banks. Commercial banks core business is to provide loans and accept deposits therefore the products or services are homogenous hence it is difficult to distinguish them. The results indicates that the commercial banks either diversify in different products or services in the market or introduce new services based on customer demand. The findings reveal that product differentiation is being adopted at a moderate extent in the commercial banks through creation of higher value to their customers that are unique. The respondents stated that commercial banks offer homogeneous products therefore introducing new products may be a win or lose situation and requires adequate resources to be implemented. Dirisu, Iyiola and S., (2014) supported this when they stated bank should have product-driven differentiators for the brand to stand out in the market to ensure that competitive advantage is gained.
Figure 4.5 **Mergers and Acquisitions**

Source: data survey (2019)

In relation to the mergers and acquisitions the results of the study showed that the respondents strongly disagree that they are adopted as survival strategies of their banks to achieve competitive advantage. Mushayamano G (2012) contradict with the findings in his research on the impact of mergers and acquisitions on the profitability of Zimbabwe commercial banks that mergers and acquisitions have positive impact on the efficiency, profitability and success of the business. The banks are capable of adopting mergers as a survival strategy as efficiency and profitability are indicators of competitive advantage, this is indicated by the 25% respondents who agreed. Severino, Tonderai and Life, (2015) supports this by mentioning that Zimbabwean banks have the potential to become outstanding given that they adopt growth strategies by collaborating with the Mobile Network Operators (MNO), hence mergers and acquisitions are good examples.
The cost differentiation strategy

Source: primary data

The findings on Table 4.3 illustrates that cost differentiation was strongly agreed upon by the participants as illustrated by 56.3%. The results showed that this survival strategy can be adopted in large companies like banks which offer standard products with relatively little differentiation that are acceptable by most of the clients. The findings from interviews further revealed that cost differentiation is being adopted by the majority of the banks through elimination of unnecessary costs with the use of technology. However the banks in Zimbabwe could not lower interest on loans due to the harsh economic condition in Zimbabwe witnessed by increase in non-performing loans on bank’s balance sheets.

The findings are in unison with Kaliappen & Hilman, (2014) when they noted that cost differentiation is mostly adopted by firms to achieve competitive advantage due to its ability to assist the organization to produce standard and high volume output at viable prices. Kinyungu &
Ogollah, (2017) also discovered that cost differentiation strategies influences the performance of Kenya Commercial Banks to a larger extent.

4.5 The origins of competition threatening competitive advantage of commercial banks in Zimbabwe.

From the information gathered through interviews based on the opinions of the respondents on the origins or the sources of competition of commercial banks in Zimbabwe which pose a threat on the competitive advantages enjoyed by the commercial banks in Zimbabwe.

![Figure 4.7 Origins of competition that pose a threat to the competitive advantage of commercial banks in Zimbabwe.](image)

Source: Survey Data (2019)
The findings highlighted that the Mobile Network Operators like Ecocash were the major source of competition as 90% agreed, thus suggesting that they pose a threat to the commercial banks. The MNO offer cheap and convenient services thus reduced the non-interest income which commercial banks had advantages in. Figure 4.3 illustrates that a frequency of 65% were in agreement that microfinance companies also pose a threat, 68% disagreed that new entrants in the banking industry are completion and 50% disagreed that competition emanates amongst the existing commercial banks. The respondents revealed that the sources of competition of commercial banks are mainly substitutes which consists of MNOs and Microfinance companies probably due to low switching costs. The results agreed with the findings of (Levin, 2013) whereby it was revealed that the mobile money transfers through Ecocash introduced competition to the banks posing a threat on the deposits of the commercial banks through decline in bank’s deposits. On the part of microfinance companies’ competition, Samolyk (2008) highlighted that non-banking institutions are eliminating the need for banks hence reducing the competitive advantage in the industry.
4.6 Challenge faced by commercial banks in Zimbabwe in strategy implementation

The researcher found out the information pertaining to challenges faced by commercial banks in Zimbabwe through interviews. The response rate for the interviews was 100% therefore quality data was obtained.

![Bar chart showing the challenges faced by commercial banks in Zimbabwe.]

Figure 4.8 Challenges of survival strategy implementation by commercial banks

The research went on to look at the challenges sought faced by commercial banks in Zimbabwe in strategy implementation to achieve competitive advantage. Figure 4.6 showed that the majority suggested that poor corporate governance is the challenge in strategy implementation as indicated by 92.5% in agreement and only 7.5% who disagreed. 81.6% of the respondents revealed that they were in unison with the regulatory framework by the Central bank as the challenge in strategy implementation, 60% of the respondents agreed that lack of resources was a challenge in strategy implementation and 52% of the respondents revealed that inadequate managerial expertise or skills
as a challenge as well. The findings of the study suggested that poor corporate governance and regulatory frameworks like the monetary policy are the major challenges of competitive strategies implementation amongst commercial banks in Zimbabwe. (Fanta, 2013) discovered in his study that the absence of national standards of corporate governance has negative impact on the bank performance (competitive advantage) in Ethiopia that is influence the strategy implementation. The role of board of directors, audit control committee and board meeting frequency in commercial banks if are not monitored lead to strategy implementation failure.

The Results indicates that regulatory frameworks challenges strategy implementation in Zimbabwe. Regulatory frameworks in the form of monetary policies come with liquidity problems which disrupts implementation of cost leadership strategies and product differentiation strategies which demands high budgets.

The findings of the study reveals that inadequate resources is also a challenge of competitive strategy implementation in commercial banks. The resources may be in the form of intellectual properties like internet equipment, human capital and financial resources. Goromonzi, (2016) discovered in his study on Organization culture, strategy implementation and commercial bank performance that strategy implementation has a positive effect on best performing banks in Zimbabwe that is those that possess competitive advantage. The knowledge of the human resources and management leadership into strategy implementation strategies results into competitive advantage.

4.7 Chapter Summary
The chapter analysed and presented the findings of the study. Data presentation and analysis of the factors influencing competitive advantage of commercial banks in Zimbabwe post dollarization was conducted. The findings were illustrated using pie charts, tables and bar graphs. The chapter addressed the research questions and research objectives. The results of the study highlighted the sources of competition of commercial banks which includes microfinance companies, Mobile Money Operators (MNOs), other existing commercial banks and new entrants in the banking sector. The survival strategies adopted for achieving competitive advantage were also revealed and the factors that contribute to competitive advantage of commercial banks. An analysis of the challenges of strategy implementation was undertaken highlighting poor corporate governance, inadequate resources, regulatory frameworks and lack of managerial skills as the major challenges.
The factors influencing competitive advantage of commercial banks are best measured by assessing the profits, sales, market share and the bank’s income. The next chapter shall focus on the summary of the study, conclusions and recommendations.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

After an investigation on the factors influencing competitive advantage of commercial banks in Zimbabwe. This chapter concludes by providing a brief summary on the research unveiling the most vital issues in the study. The chapter summarizes all the contents from the chapter one up to five. Conclusions and recommendations focused on addressing the research objectives and questions to fulfill the research effectively. The researcher concluded by encouraging future researchers to address the issues that were not looked into by the researcher.

5.1 Summary

The main objective of the researcher was to investigate the factors influencing competitive advantage of commercial banks in Zimbabwe post dollarization. The study gives a brief background on the competition in the banking sector pre dollarization and post dollarization era. Bank failure and reduction in profits were some of the problems raised as problems caused by stiff competition. The objectives, research questions, limitations and the significance of the study were also raised in chapter one.

The literature review unloaded various theories of competitive advantage and provided the empirical review. Literature identified the sources of competition and the determinants of competitive advantages of the commercial banks. It also looked at the various strategies that can be adopted by the commercial banks to gain competitive advantage in Zimbabwe and the challenges encountered by the banks in strategy implementation. Literature highlighted that failure
of the commercial bank to gain competitive advantage for a prolonged time can result in bank failure and decline in customer confidence.

The researcher used descriptive research design to carry out the research. A total of thirteen banks were surveyed. The respondents comprised of Chief Executive Officers, tellers, departmental heads and functional managers using a sample size of 65 respondents. The researcher gathered data using interviews and questionnaires. Use of primary and secondary data like research journals, newspapers and the internet. The researcher also highlighted how the data is to be presented and analyzed. The study also pointed out how data validity and reliability of the questionnaire was tested by the researcher. Results were obtained after data collection. The results show that cost reduction and the cost differentiation strategy are the major contributions of competitive advantage of the commercial banks in Zimbabwe. Advantages from technological services were also recognized. Also, the challenges encountered in competitive advantage strategy implementation were also analyzed.

5.2 Conclusions
The research results came up with the following results:

- Commercial banks’ sources of competition hindering competitive advantage are the Mobile Network Operators (MNO) and Micro finance companies which introduced convenient services at lower prices affecting the competitiveness of commercial banks in Zimbabwe. The activities of these parties contribute to the loss of competitive advantage of commercial banks through decline in bank’s incomes.

- The major objective of the study was to investigate the factors influencing competitive advantage of commercial banks in Zimbabwe post dollarization. The findings show that competitive advantage is mainly influenced by cost reductions in operations without sacrificing the quality of the services. The Zimbabwe commercial banks operating environment is unstable and the solution to this situation is to ensure that the cost does not
exceed the profits. Most commercial banks like Standard Chartered and Stanbic bank have few branches to cut off operation costs.

Service innovation and technological advancement is promoting convenience in commercial banks at the same time fighting competition from quasi-banking institutions like MNOs and Microfinance firms. Internet banking, use of POS (Point of Sale), credit cards, use of ATMs, mobile banking and some services were introduced by the commercial banks in Zimbabwe.

The link between bank ownership and competitive advantages through ownership structure in the industry indicates that foreign owned banks are more aggressive in terms of fighting competition than locally owned banks. This is due to better survival strategies originating from the parent company outside the country, superior resources in the form of easy access to technological equipment and financial supports from other subsidiaries in various countries.

- The survival strategies adopted to achieve competitive advantage were determined and cost differentiation strategy was the result. The strategy shows that most of the banks are striving to become cost leaders through minimization of unnecessary costs and the adoption of technological innovations helps the banks to boost profits and reach out to wider markets outside the traditional boundaries hence increasing market share respectively. The cost differentiation strategy links directly with the factors with the greatest contribution to competitive advantage namely cost reductions and service innovations or technological advancement.

- Findings from the interviews showed that the challenges faced when implementing survival strategies by the banks are poor corporate governance, regulatory frameworks, lack of resources and inadequate managerial skills or expertise. Inadequate managerial skills affects the decision making process of the company that influences competitive advantage.

The harsh economic conditions in Zimbabwe as the operation environment of commercial banks in Zimbabwe hinders strategy implementation. The tight monetary policies discourages positive bank performances. Corruption by the management sidelines the
measures that can direct the skills and capabilities of the staff to ensure competitive strategy implementation. Poor corporate governance reduces transparency and accountability in organizations leading not only to strategy implementation but insider loans as witnessed by many bank failures in the past decade.

5.3 Recommendations

After literature review, data collection and presentation, the factors influencing competitive advantage of commercial banks requires recommendations as to add on what stakeholders of the study can do to enhance competitive advantage.

- The findings shows that the factors influencing competitive advantage are internal factors therefore the commercial banks needs to be alert to the activities that deals with development of strategies. To promote new service of the bank, market strategies and product promotions to make the service known and attract clients to embrace the new innovation.

- Resources of the commercial banks determines the contribution of the factor to competitive advantage. For instance, superior intellectual properties of the bank determines the extent of the technological innovations of the firm to outcompete competitors like MNOs and Microfinance companies. The skilled workforce and their commitment up the game plan of the bank to formulate strong decisions. Therefore training and upgrading of equipment is vital for the banks to achieve sustainable competitive advantage.

- Banks should ensure that the decision making process is reduced since long time lags affects competitive strategy implementation. The operating environment of commercial banks in Zimbabwe is highly dynamic, an opportunity identified today may be phased out few months later due to competition or economic situations. Rapid decision making and implementation assist the banks to achieve competitive advantage against rivals. National corporate governance, consistent auditing and accounting should be adhered to by all the commercial banks so that survival strategy implementation will not be compromised which promotes competitive advantage.
They should be an improvement in customer relations of the banks since this leads to competitive advantage. The clients of the commercial banks influences the success of the bank because it is after their needs have been satisfied will the bank gain profits. A close relationship with the clients and considering their complaints in suggestion boxes influences the competitive advantage of the banks, as exactly what they need is brought to the table.

5.4 Suggestions for further studies

The research study dedicated on only commercial banks in Zimbabwe yet the structure of the financial institutions consists of building societies, development institution, microfinance companies, insurance companies and savings banks. Future researchers should consider studying on the factors influencing competitive advantage of the other types of banks in the sector although there are in limited numbers than commercial banks but their roles differ. Further researches may be conducted on the factors influencing the sustainable competitive advantage of commercial banks in Zimbabwe since the study focused only on the competitive advantages which is not guaranteed for a long time. Furthermore the study also looked at the challenges of survival strategy implementation by commercial banks in Zimbabwe, there is need to further study on the ways to mitigate those challenges.
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APPENDICES

APPENDIX A: INTRODUCTION LETTER

BINDURA UNIVERSITY OF SCIENCE EDUCATION
Faculty of Commerce
Department of Banking and Finance

Dear Sir/ Madam

RE: LETTER OF INTRODUCTION

This letter serves to introduce Mazvita Annastacia Gova (B1543968) who is a final year at the above named institution. She is studying towards a B.com in Banking and Finance and is undertaking a research entitled “An investigation on the factors influencing competitive advantage of commercial banks in Zimbabwe post dollarization” as part of her degree program.” The Department therefore kindly request for your assistance in this regard. The information contributed will be treated with confidentiality and shall be used for academic purposes only.

For confirmation of the status of the above named student, kindly contact the institution.

Your cooperation will be greatly appreciated.
APPENDIX B: QUESTIONNAIRE

Instructions

Kindly complete in the spaces below or tick in the boxes that correspond to your answer option. You are required not to include your name or personal details.

SECTION A: Background Information

1. For how long have you been employed or working at the bank?
   - Less than 3 years □ 3-5 years □
   - 6-10 years □ More than 10 years □

2. Please indicate the nature of your role in the organizational structure
   - Chief Executive Officer □ Functional Manager □
   - Departmental Manager □ Employee □

3. Please indicate the nature of your commercial bank:
   - Locally owned □ Foreign owned □

4. The number of years the bank has been in operation
   - 5-10 years □
   - 10-20 years □
   - 20-50 years □
   - Above 50 years □
SECTION B: DETERMINANTS OF COMPETITIVE ADVANTAGES OF COMMERCIAL BANKS

5. a) Please indicate the contribution of each variable to competitive advantage of the bank using a rating scale

   1= Not at all   2= Little   3= Moderate   4= Great   5= Very Great

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<td>I  Technology and Service innovation</td>
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<td>II Years of operation in Zimbabwe</td>
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<td>III Leadership qualities</td>
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<td>IV Brand Loyalty</td>
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<td>V Corporate Social responsibilities activities</td>
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<td>VI Cost reduction</td>
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<td>VII Pricing</td>
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<td>VIII Unique customer services</td>
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SECTION C: STRATEGIES ADOPTED BY COMMERCIAL BANKS TO GAIN COMPETITIVE ADVANTAGE

6. The following are some of the strategies used by banks to gain competitive advantage in the industry and the statements on the use of different strategies by the banks. Please indicate your level of agreement in relation to your bank.

1= strongly disagree  2= disagree  3= neither agree or disagree  4= Agree  5= Strongly Agree

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<td>A Diversification</td>
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<td>B Mergers and Acquisitions</td>
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<td>C Product differentiation</td>
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A. Diversification strategy
Involves use of credit diversification, loan diversification and geographical diversification by the bank through lending money to different people in the economy, meeting different customer needs and distribution by the bank to increase market share respectively.

B. Mergers and acquisitions
Relates to reduction in cost of operation by the bank through uniting with other companies and increasing the coverage of the bank geographically to achieve competitive advantage.

C. Product differentiation
Involves the introduction of quality services and new products that cannot be imitated based on the demand by the customer to increase the level of sales by the bank.

**D. Cost differentiation**

Relates to lower interest rates, bank charges and operation costs to attract customers, increase customer base and eliminate unnecessary costs by your bank to enhance efficiency. Adoption of technological development and innovation of the bank processes to cut costs and achieve competitive advantage

7. What would you recommend to be done by the Commercial banks in Zimbabwe to achieve competitive advantage………………..……………………………………………………………………………………………………
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   **End of Questionnaire. Thank You!**

**APPENDIX C: INTERVIEW GUIDE**

1. What are the strongest sources of competition of your bank?

2. In your own opinion what competitive advantages does your bank possess that cannot be imitated by the rivals?

3. Which strategies have been put in place to gain competitive advantage in your bank?

4. Kindly suggest the potential challenges hindering strategy implementation in your bank to achieve competitive advantage?

5. Does the management play its role in ensuring that the bank outperform its competitors?