PERCEPTIONS OFTHE RULES OF BUSINESS BEHAVIOUR IN THE COMPETITIVE BANKING ENVIRONMENT IN UGANDA

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PERCEPTIONS OFTHE RULES OF BUSINESS BEHAVIOUR IN THE COMPETITIVE BANKING ENVIRONMENT IN UGANDA

By

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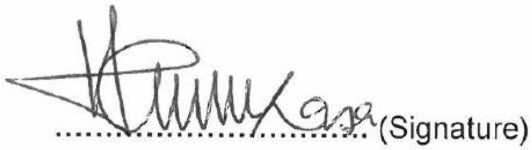
DECLARATION

I, *HERBERT MUKASA*, hereby declare that the *thesis* for *PhD to be awarded* is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.



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ABSTRACT

Business rules shape the behaviour of a business and guide the behaviour of employees when conducting business. Therefore, business rules explain what is allowed and not allowed. It is argued that all organisations have business rules and engage in some form of relationship whether through competition or cooperation with other companies. In today's business environment, organisations are embedded in relationships with other actors in order to gain access to resources that are needed. Therefore, each organisation's business rules define their strategies and actions. The type of business rule behaviour which is applied by organisations encourages them to grow by taking market share from rivals or creating new markets.

The aim of this study was to determine the influence of the rules of business behaviour on perceptions of the competitive banking environment in Uganda and its potential impact on certain outcomes. In this study, a quantitative research approach was adopted, as the study sought to investigate the relationships between variables. This study collected data through the use of a structured self-administered survey questionnaire which was distributed to 233 branches of banks in Uganda, totaling 700 bank employees. The survey yielded 529 usable questionnaires which were analyzed, using several statistical analysis techniques.

A hypothetical model and measuring instrument of perceptions of the rules of business behaviour in the competitive banking environment within Uganda was developed. Six null-hypotheses were subjected to statistical analysis. The influence of three independent variables, namely, confrontational business behaviour, co-operational business behaviour and typologies of competition on the intermediate variable, perceptions of the competitive banking environment in Uganda were tested. The impact of these variables on three independent outcome variables, namely, organisational performance and customer loyalty and retention were also tested

The empirical findings revealed that the rules of business behaviour have a significant relationship with perceptions of the competitive banking environment in Uganda. These results showed that confrontational behaviour as a rule of business behaviour can be classified as being direct or indirect. The study further revealed that banks should consider competitors as co-partners and not only as aggressors, indicating that co-operational business behaviour is statistically significantly related to perceptions of the competitive business environment in Uganda. The three typologies of competition, namely, defy attack, defense and debase attack are also positively related to perceptions of the competitive business environment in Uganda. The empirical results of the study also indicated that perceptions of the competitive banking environment have a positive relationship with outcomes such as organisational performance, customer retention and customer loyalty.

This study contributed to the literature and body of knowledge regarding the impact of rules of business behaviour in the competitive banking environment in Uganda. This study could also assist banks, employees and customers alike to understand the different rules of business behaviour that exist and what strategies banks can employ to improve their position in the market. This study could also be replicated by other banks in other developing countries so as to ensure successful competition and the cooperation of banks as they engage in their activities in the banking industry.

CHAPTER ONE

INTRODUCTION AND SCOPE OF THE STUDY

1.1 INTRODUCTION AND BACKGROUND OF THE RESEARCH

More than ever before business environment is faced with competition in the form of resources and markets for products and services. The current state of globalisation and fierce industrial competition for business survival and success requires the setting of tough and sustainable rules (Nguyen, 2007:15). In addition it requires breaking of some traditional rules as well as following the usually neglected rules. In reacting to global competition, businesses have resorted to the development of strategies that not only protect their market interests but also allow them to access important networks (Andreas & Simon, 2008:494). Such entrepreneurial networks are sometimes focused on resource accessibility while others are centered on strategic market alliances for a competitive advantage (Andreas & Simon, 2008:499; Bengtsson & Kock, 1999:187). This study intends to analyze the impact of these rules of business behaviour within the competitive banking environment in Uganda and its influence on organisational performance.

In a global perspective, business competitiveness does not only depend on where (which country) it is located but also on its ability to seize business opportunities through strategic collaborations to create an enabling environment of developing innovatively and competitively (Global Competitiveness Report, 2013:9). Nevertheless, market competition has recently moved from the entry of superior players into inferior markets to the entry of “inferior” players to superior markets (Nguyen 2007:12). Chinese motorcycle manufacturers for example, started to sell bikes in vast numbers in Vietnam, a market which had previously been dominated by the likes of Honda, Yamaha and Suzuki. This implies that competition is inevitable and could come from any direction.

From a local country perspective and the Uganda Business Climate Index, competition and investor protection are key to economic prosperity (MF PED, 2012) which is good for the national economy. However, Uganda was at the bottom of the list of other countries with respect to starting a business and protecting investors (MFPED in the CICS Report, 2012:7). Uganda operates in a free market environment following the pursuance of the Economic Reform Agenda in the 1980s to date (Kimera, 2011:297). This was aimed at boosting the national economy, reducing government involvement in business by encouraging private sector-led economic development through privatisation, liberalisation and deregulation.

Mugume (2010:10) further suggests that before liberalisation, Uganda depended on the former government supported bank, Uganda Commercial Bank, which was the largest. Later, after liberation, the number of private players increased and Uganda Commercial Bank was taken over by Standard Bank (Stanbic) of South Africa. Competition has since kept on increasing to the extent that some banks that had formerly concentrated on corporate niches started reaching out to rural markets, such as Standard Chartered Bank and Barclays Bank. The latest status reports from the Bank of Uganda indicate that the number of banks has risen to 24 as indicated in Table 1.1.

Table 1.1: Commercial Banks in Uganda

Rank	Bank	Assets (USD) Millions	Market Share	No. of Branches
1	Stanbic Bank	1,213	19.9%	91
2	Standard Chartered Bank	965	15.8%	12
3	Barclays Bank	496	8.2%	46
4	Crane Bank	469	7.7%	28
5	Centenary Bank	442	7.3%	62
6	DFCU Bank	394	6.5%	30
7	Citibank Uganda	300	4.9%	01
8	Bank of Baroda	279	4.6%	14
9	Housing Finance Bank	191	3.1%	16
10	Bank of Africa	178	2.9%	33
11	Orient Bank	176	2.9%	16
12	Equity Bank	135	2.2%	44

13	Diamond Trust Bank	134	2.2%	20
14	Kenya Commercial Bank	131	2.1%	14
15	Tropical Bank	84	1.4%	11
16	United Bank for Africa	60	1.0%	09
17	Ecobank	60	1.0%	11
18	Imperial Bank Uganda	55	1.0%	03
19	Global Trust Bank	40	0.7%	15
20	Guaranty Trust Bank	40	0.7%	07
21	Cairo International Bank	30	0.5%	04
22	NC Bank Uganda	25	0.5%	01
23	Bank of India (Uganda)	25	0.5%	01
24	ABC Capital Bank	12.5	0.2%	02
Total	Twenty Four	6,090	100.0	496

Source: Bank of Uganda (2013)

The increased number of players in the commercial banking sector implies more competition in the market. Theoretically, competition forces companies to engage constantly in offensive and defensive marketing strategies which raise the level of industrial rivalry (Porter, 1985:127). Rivalry occurs because one or more competitors either feels the pressure or sees opportunity to enter an industry to improve its position within an industry. Quairel-Lanoizelee (2011:77) and Porter (1980) suggest that, on the whole, competitive strategies by one organisation have noticeable effects on its competitors and this may invite retaliation or efforts to counter a specific move. In addition Karakaya and Yannopoulos (2010) assert that companies respond to competitor challenges by counter-attacking through increased advertising, cutting prices, increasing innovation, and introducing new products, or even accommodating the entrants by doing nothing or decreasing the level of marketing efforts.

Uusitalo (2004:141) states that occasionally, organisations grow by taking market share from rivals or creating new markets. Therefore, incumbents need to be prepared for attacks by existing organisations seeking to expand their business and new entrants. That is why the incumbent’s objective should be to defend their market share and strengthen their position by making it harder for others to enter or for existing organisations to challenge them by repositioning themselves or improving their market position. Teng and Das (2008:732) suggest that as organisations attempt to improve

their position, they engage in competitive battles and adopt offensive strategies. Therefore, successful use of offensive strategies can help an organisation improve its competitive position, gain market share and increase profits.

The increasing power of buyers in highly competitive markets forces organisations to get closer to customers in order to maintain business operations and to create value-adding solutions to capture more revenue from their customer base (Uusitalo, 2004:141). Market-oriented organisations, focus on market pull strategies, as they build their strategies by having a long-term commitment to understand customer needs, and develop innovative solutions by discovering hidden customer needs and new markets. A product-oriented strategy can be seen in organisations that pursue competitive advantage through delivering cutting edge products with best features, on the basis of its core-competencies (Porter, 1985: 3; Hamel & Prahalad, 1994: 75; Moore, 1991: 25; Kim & Mauborgne, 2005:104).

Fuerst, McAllister, van der Wetering and Wyatt (2011:170) and Walker, Rod, Callaghan, Kosmas and Lester (2004:60), suggest that the performance of a business comes in different forms, notably financial, market, and operational productivity. Each of these performance dimensions has a tremendous contribution towards the growth of any organisation irrespective of size and location. According to various researchers such as Nyamongo and Temesgen (2013:239), performance has generally been measured by using profitability, return on assets, and economic value added as well as return on equity in the context of commercial banks. Al-Tamimi and Charif, (2011) contend that the measures of performance in the context of commercial banks are moderated by bank size and that performance indicators should be considered in the performance model for a balanced view.

While performance is a critical result area (Franco-Santos, Kennerley, Micheli, Martinez, Mason, Marr, Gray & Neely, 2007:788), there are many factors that could determine it. Moreover, there are conflicting views about what these factors are and to what extent these factors determine business performance. Santala and Parvinen

(2007:583) argue that this is confusing for the business owners/managers and their teams especially, in prioritising the allocation of resources. Some business interactions are based on cooperation while others are based on competition. This depends on the nature of the business and the principles that govern such businesses.

Business principles are based on the business rules according to operations are run and are statements that influence business behaviour and information (Steinke & Nickolette, 2003:52, 59). Schiebel and Pöchtrager (2003) further explain that, such rules include how to manage human resources, business ethics and financial management. It is upon these rules that decisions of the choice of strategy and priority are based. Therefore, an amalgamation of business rules and business behaviour in a competitive environment should be able to direct the performance of a business enterprise.

Montresor (2004:410) and Teng and Das (2008:726) postulate that the availability of organisation resources, such as capabilities and competences and the choice of strategies depend on their rules of business behaviour. Thus, Steinke and Nickolette (2003:59) concur that from a theoretical perspective, organisations can survive as long as they set competitively sustainable rules and engage in sustainable relationships. However, it is also true that no business can operate alone successfully without considering what others are doing, the resources they are using and the markets they are serving. Therefore, a business must look at their own resource capabilities with the rest of the industry and decide whether to compete or to cooperate.

This chapter considers aspects such as the problem statement, research objectives, research questions and hypotheses, previous models supporting the study, theoretical overview of rules of business behaviour, the competitive environment, clarification of key concepts, research methodology, scope of the study, and overview of the structure of the research.

1.2 PROBLEM STATEMENT

Despite the high level of regulation in some sectors of Uganda’s economy, competition has not been deliberately interfered with. Kimera (2011:298) contends that a number of stakeholders (both in private and public sector) are still ignorant about the importance of competition and the negative effects of anti-competitive practices. Hultén and Vanyushyn (2010:23) suggest that competitive policies are generally designed globally to prevent actions that are unethical, such as industrial corruption that affects the global competitiveness of organisations. McGee and Block (1997) argue that such unfairness offers no benefit to the consumers and hurt fair trade.

It should be noted that Uganda neither has a policy on competition nor a comprehensive law to regulate competition (MFPED, 2012: 16). Thus, the country has poor rankings in terms of a conducive environment of doing business. For example, Uganda has been ranked number 121 out of 185 in terms of the environment for doing business (Schwab, 2013:3). This implies that the survival of organisations that operate in Uganda and related economies especially those in Africa and some parts of South America must employ strong competitive forces in order to thrive. Uganda being a factor-driven economy (Schwab, 2013) means that even without considering the marketing challenges, the internal operations must focus on other strategies of resource optimisation in order to attain efficiency especially when compared with the performance of related organisations on the same industry.

Mugume (2010:12) points that financial institutions are central to economic development and growth. However, the challenges facing businesses require that organisations should be able to transform continuously according to industry trends.

Due to the increasing number of commercial banks, this sector in Uganda has been exposed to stiff competition. This has forced some organisations to close their operations. For example, National Bank of Commerce was forced to close business in 2013 (BOU, 2013:17). Therefore, there is a great need to intensify stake holders' awareness and promotion of a competitive culture in Uganda to encourage the evolution of an effective competitive framework.

This requires setting competitive business behaviour that not only protects their interests, but also to propel their market superiority. It is also important to note that businesses do not operate in a vacuum, hence there will always be other players in the market. The presence of other players demands that rules of business behaviour be practiced. In an industrial setting, two main categories of rules of business behaviour will always prevail, namely, cooperation and competition (Nguyen, 2007:15). In either choice of rules of business behaviour, there is an implication on the performance of organisations (Franco-Santos *et al*. 2007:785) due to differences in reaction to competition. Therefore, while the concept of rules of business behaviour has gained increased emphasis in literature (Cooper and Gardner, 1993:20), the why, how, and when to establish possible business-to-business relationships have not been exhaustively addressed.

Though business rules guide business behaviour (Steinke and Nickolette, 2003:53), there is limited research that empirically examines how business behaviour relates to business relationships within a competitive environment and subsequently how these relations affect business performance, especially within the competitive banking environment of Uganda. Against this background, this study attempts to investigate the following main research problem:

What is the impact of rules of business behaviour in the competitive banking environment of Uganda and its subsequent influence on organisational performance?

1.3 PURPOSE OF THE STUDY

The purpose of this study is to investigate the impact of the rules of business behaviour and typologies of competition on the competitive banking environment of Uganda. The study address the two main rules of business behaviour, namely confrontational and cooperative as well as the nature of typology of competitors and the competitive banking environment. The study also identifies several strategies that could help enhance the competitiveness of commercial banks locally and globally.

1.4 SIGNIFICANCE OF THE STUDY

This study could be of significance to various stakeholders such as academia, bankers, regulators, depositors and the general business community. To the academia, the study attempted to re-conceptualise the analytical framework of performance in commercial banks by introducing the concept of rules of business behaviour. A proposed hypothetical model in this regard was tested among a large representative sample. While these constructs have been applied in other contexts such as database management systems, retail businesses and manufacturing, it has not been tested within the commercial banking sector yet, especially in Uganda. This study of how performance is affected by these variables becomes an important contribution to the existing body of knowledge.

For policy regulators and practitioners (bankers and business community), this study could contribute to the understanding of the nature of rules of business behaviour and typologies of competitors within the competitive environment. Commercial banks' engagement in this competitive environment has strategic implications for their competitive strategies and performance. It is envisaged that practical guidelines are provided in terms of possible competitive strategies and typologies to apply within the banking environment to enhance organisational performance.

1.5 RESEARCH OBJECTIVES

Considering the background and problem statement provided the primary objective and secondary goals of the study are identified below.

1.5.1 Primary objective

The primary objective of this study is to assess the impact of rules of business behaviour within the competitive banking environment of Uganda.

1.5.2 Secondary objectives

To help achieve the primary objective of this study, the following secondary objectives are identified:

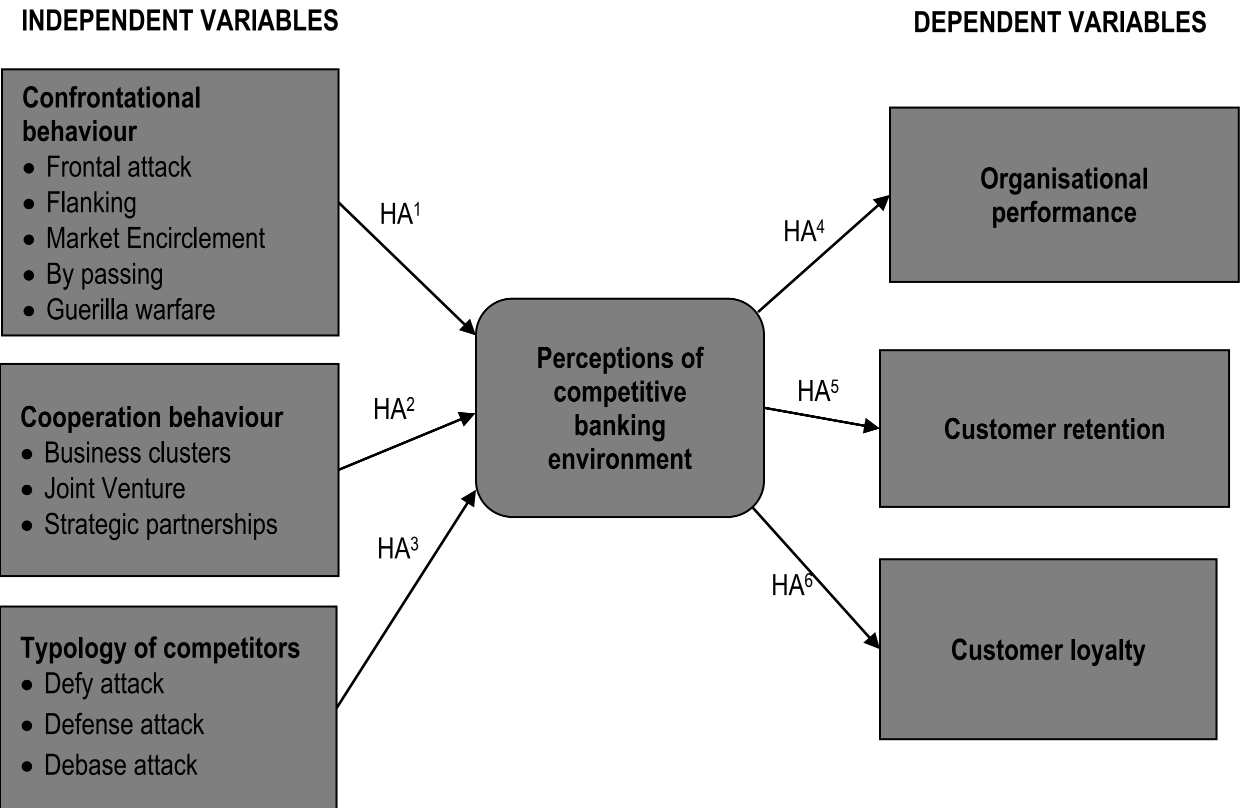
- To critically review the literature pertaining to the nature and drivers of rules of business behaviour.
- To understand competitor typologies within a competitive environment.
- To empirically identify the rules of business behaviour (confrontational and cooperation) and typology of competitors conducive to the competitive banking environment in Uganda.
- To empirically assess the impact of competitive banking environment on organisational performance, customer loyalty and retention in Uganda.

The following section highlights the proposed hypothetical model of the study.

1.6 THE THEORETICAL MODEL OF THE RULES OF BEHAVIOUR IN THE COMPETITIVE BANKING ENVIRONMENT

Figure 1.1 depicts the hypothetical model of the study. The influence of three independent variables on the perceptions of the competitive banking environment is tested against three dependent variables.

Figure 1.1: Theoretical model of perceptions of the rules of business behaviour in the competitive banking environment



Source: Researcher's own construction

1.7 RESEARCH QUESTIONS AND HYPOTHESES

Based on thehypothetical model of this study, the research questions and hypotheses are outlined below.

1.7.1 Research questions

- Is *confrontational interaction* as a rule of business behaviour conducive for the competitive banking environment in Uganda?
- Is *cooperational interaction* as a rule of business behaviour conducive for the competitive banking environment in Uganda?
- Is there an appropriate competitor typology conducive to the competitive banking environment in Uganda?
- Does the competitive banking environment improve *organisational performance* of Ugandan banks?
- Does the competitive banking environment improve *customer retention* within Ugandan banks?
- Does the competitive banking environment improve customer *loyalty* within Ugandan banks?

1.7.2 Research hypotheses

A hypothesis is a preliminary untested theory that may be advanced as a possible answer to or explanation of a particular problem. This theory then forms the basis of an inquiry. The importance of these hypotheses lies in the fact that they would bring direction, specificity and focus to this research study (Kumar, 1999:64-65). On the basis of the proposed hypothetical model of this study, the following hypotheses were identified:

The first set of hypotheses concerning rules of business behaviour and typologies of competitors within the competitive banking environment in Uganda are:

- **Hypothesis H^1:** There is a relationship between confrontational behaviour and the competitive banking environment in Uganda.

- **Hypothesis H^2:** There is a relationship between cooperation behaviour and the competitive banking environment in Uganda.

- **Hypothesis H^3:** There is a relationship between competitor typologies and the competitive banking environment in Uganda.

The second set of hypotheses concerning perceptions of the competitive banking environment in Uganda and its influence on the dependent variables are:

- **Hypothesis H^4:** There is a relationship between competition in the Ugandan banking environment and organisational performance.

- **Hypothesis H^5:** There is a relationship between competition in the Ugandan banking environment and customer retention.

- **Hypothesis H^6:** There is a relationship between competition in the Ugandan banking environment and customer loyalty.

The next section outlines the research design and methodology of the study.

1.8 RESEARCH DESIGN AND METHODOLOGY

The study sought to identify the impact of rules of business behaviour within the competitive banking environment of Uganda.

1.8.1 Research paradigm

There are two main paradigms that can be identified in research, namely qualitative paradigm (phenomenological) and quantitative paradigm (positivistic). The qualitative approach is a method used to discover the meanings that participants attach to a certain phenomenon (Flick, 2002:17; Zikmund, 2000:108). Quantitative research is a method used to quantify patterns that the researcher encounters within the empirical

study (Heppner Heppner, Lee, Wang, Park & Wang, 2004: 93). This study adopted the quantitative research approach, by means of descriptive research, whereby rules of business behaviour have been addressed within the competitive banking environment.

The positivistic research paradigm was adopted since it applies a deductive reasoning process looking for relationships and it is deemed to be accurate and reliable through validity and reliability (Berg, 2001:10). In view of the nature of the problem statement and the research objectives in this study, the positivistic approach seems most appropriate to gauge the opinions of respondents on the impact of rules of business behaviour in a competitive banking environment. The model depicted in Figure 1.1 indicates these relationships between the various independent variables, mediating variable and the dependent variable. The positivistic paradigm requires the use of a large sample (Nwokah, Kiabel and Briggs, 2009:436), so that the findings from a representative sample may be taken to be true for the entire population so that the envisioned statistical analysis may be undertaken (Berg, 2001:10). Quantitative data has been used in order to generate quantifiable data that was used to explain relationships between the variables with regard to the impact of rules of business behaviour in a competitive environment.

1.8.2 Research approach

This study adopts a descriptive research approach through which respondents' views and opinions are sought and described as to establish the impact of rules of business behaviour on performance within the competitive banking environment in Uganda.

1.8.3 Population

Kezerooni (2001: 993) defines a population as the total of all the individuals who have certain characteristics which are of interest to a researcher and from which conclusions are drawn. The population of this study consists of all commercial banks that operate in Uganda. There are 24 commercial banks in Uganda with 658 branches (BOU, 2014).

These banks are characterised differently in such aspects as ownership and local versus foreign-owned, as compared to other licensed banks. The population of interest in this study refers to all management and employees in these commercial banks.

1.8.4 Sampling

Sampling is a method of collecting information from a sample that represents the entire population (Barreiro & Albandoz, 2001: 1). The benefit of sampling is that it mitigates the entire population both in terms of resources such as time and finances (Kezerooni 2001:993). Therefore, a sample is selected to represent the population from whether results of the sample are taken. Oso and Onen (2008: 56) define sampling technique as the strategy which the researcher uses to select representative respondents from the target population.

In this study, all 24 commercial banking institutions currently operating in Uganda were considered. Non-probability sampling such as purposive or judgmental sampling will be used, focusing on a known and desired target group which gives the researcher the flexibility of deciding who to include in the study the basis of their knowledge in the subject area and willingness to disclose information (Kezerooni, 2001:994). A non-probability sample, convenience and judgemental sampling, was used on the basis of respondents who are easily accessible and available. The study targeted three respondents from 233 commercial bank branches, resulting in an envisaged sample size of about 700 respondents. The respondents included employees in commercial banks who are in positions of management, general administration, business development, credit/loans, marketing, financial planning and operations.

There are several reasons why commercial banks have been considered for this study. Mugume (2010:22) argues that while it is necessary for the banking system to be competitive, there is need to ensure that they are effective in financial intermediation through channeling savings into investment and fostering higher economic growth. This implies that their business rules and the nature of relationships they engage in need to

be studied. Another reason for the consideration of these banks is that they are not just commercial banks but the predominant financial institutions in Uganda comprising over 80% of the financial system. Banks are the primary mechanisms for the transmission of monetary policy and play an important role in determining the supply of money in the economy. They also form the backbone of the payments system (Mugume, 2010:22).

1.8.5 Measurement of variables

The independent variables used in the study are business rules (confrontational interaction, cooperation interaction and typologies of competitors). The moderating variable is perceptions of the competitive banking environment. The outcomes (dependent variables) are measured by means of organisational performance, customer retention and customer loyalty.

1.8.6 Data collection

The data collection process is highlighted in the subsequent sections.

1.8.6.1 Secondary data

The rationale for employing a literature study is to incorporate the findings of this study into the body of knowledge that is relevant to the research problem being addressed. To accomplish this, a thorough literature review on rules of business behaviour on the nature of a competitive environment was conducted. Already published information such as textbooks, reports, journal articles and the Internet were consulted to provide the theoretical framework for this study.

1.8.6.2 Primary data

Zikmund, Babin, Carr and Griffin (2012:185) define primary data as data gathered and assembled specifically for a study. Primary data was collected by means of a survey

using self-administered questionnaires. The main aim was to identify the rules of business behaviour and typologies of competitors within the competitive banking environment in Uganda. The survey method through self-administered structured questionnaires was used to collect primary data from managers and employees in commercial banks in Uganda. The following ethical considerations were emphasised:

- Consent **–** The researcher ensured that the participants agreed to be involved in the study.
- Informed consent **–** The researcher ensured that participants knew exactly what this study was researching and what its contribution would entail.
- Right to withdraw **–** The participants had the right to withdraw from research at any stage right up to the final submission of the dissertation.
- Confidentiality and anonymity **–** The researcher ensured that participants would not be identified in anyway by a reader of the final report or dissertation. Anonymity means that the researcher would not be able to identify the participants from their responses or the data that was provided.

1.8.7 Questionnaire design

A questionnaire is a method of data collection that comprises a set of questions designed to generate data suitable for achieving the objectives of the research (Wilson, 2006). Questionnaires were completed by respondents themselves. The questionnaire consisted of the following five sections:

- Section A dealt with confrontational behaviour in a competitive banking environment. A seven-point ordinal Likert-type scale was used.
- Section B investigated co-operational behaviour in a competitive banking environment using an ordinal seven-point Likert-type scale.
- Section C focused on the typology of competitors in a banking environment using an ordinal seven-point Likert-type scale.
- Section D concentrated on perceptions of competitive banking environment using an ordinal seven-point Likert-type scale.

- Section E dealt with perceptions of the dependent variables (outcomes) using an ordinal seven-point Likert-type scale.
- Section F consisted of questions which required the background information of respondents (biographical characteristics) and the commercial banks such as length of operations in Uganda, number of staff, and the position they held in the bank. A nominal scale was used.

1.8.8 Pilot study

A pilot study is a smaller version of a larger study used to ensure that the ideas or methods behind a research idea are "sound". It also prepares for the project study by pre-testing the research instrument that will be used for data collection (Kumar 1999:9-10). The pilot study was conducted among 35 respondents from the designated population which was 5% of the total sample size of 700. This was to ensure that the questions would be understood by respondents. The main aim was to ensure that the questions were correctly worded and in the correct sequence. This was also to ensure content validity of the measuring instrument.

1.8.9 Reliability and validity of the measuring instrument

1.8.9.1 Reliability

Reliability is concerned with the consistency of measures, that is, the level of an instrument's reliability is dependent on its ability to produce the same score when used repeatedly (Morse, Barrett, Mayan, Olson & Spiers, 2002: 7). Reliability determines whether the obtained score is a stable, dependable, consistent, accurrate and whether it is predictable indication of respondents' performance on the administered test or criteria (Flick 2002:220). The statistical software package, STATISTICA (Version 12) would be used to determine the Cronbach's alpha values for the factors that would be tested in this study. A Cronbach's alpha values that are equal to or greater than 0.7 would be considered as having accepted internal reliability.

1.8.9.2 Validity

Validity refers to whether an instrument actually measures what it is supposed to measure, given the context in which it is applied (Morse *et al.* 2002: 7). Validity describes and assesses a measurement or a criterion that accurately reflects the concept it is intended to measure (Heppner *et al.,* 2004:118). Some of the aspects of assessing validity includes: the content, appropriateness of the questionnaire for the sample population, extent to which the questionnaire is detailed to collect all the information needed to address the research goals and objectives, format of the questionnaire and design. External validity refers to the extent to which the findings of the research study could be generalized across the population from which the sample was drawn. It provides clear guidelines of the reporting of the findings of the study should be done (Taylor & Asmundson, 2007:30). Internal validity refers to the degree to which the observed change in independent variables can be confirmed with confidence that it is the cause of change in the dependent variables (Taylor & Asmundson, 2007:24)

Face validity would be ensured through the assistance of experts in the field of human resources, business management and statistician to scrutinize the questionnaire. Content validity is ensured by means of a pilot study conducted among a convenient sample of managers in commercial banks. Exploratory factor analysis will also be conducted. Construct validity would be assessed through discriminant and convergent validity.

1.8.10 Data analysis

Data analysis is a continuous process of making sense of the collected data through descriptive statistics and exploratory factor analysis (Ritchie & Lewis, 2005:219). The computer programme STATISTICA Verson 12 is used to analyze the data. In this study, data analysis would involve reduction of data into manageable themes, patterns, trends and relationships. According to Partington (2002:101-102) quantitative research involves the numerical analysis of data through simple production of tables, charts and graphs to more advanced multivariate statistics. In this study, the following data analysis procedure will be used:

- The first stage of analysis was to test the validity of the measuring instrument used in this study. *Exploratory factor analysis* was used to gauge whether the items used predicted underlying dimensions which were being assessed. This was done so as to conorganisationthat the instrument measured what it was supposed to;
- The second stage of the analysis was to test the *reliability of the measuring instrument* using Cronbach's alpha values. The purpose of this stage was to measure the internal reliability of the instruments used in the study;
- The third level of analysis comprised *descriptive statistics* of the study respondents, profiles of MFOs sampled and level of strategy implementation;
- In the fourth stage, *multiple regression analysis* was used to assess how the dependent variables were influenced by the independent variables, as reflected in the hypothetical model;
- The fifth and final stage was concerned with testing the hypothesized relationships of the study using *correlation analysis.*

A simplified description of some phenomenon would be facilitated by using descriptive numerical values such as the mean, standard deviation and frequencies. Multiple regressions would be used to estimate the degree to which an independent variable would be able to predict the value of the dependent variable that significantly impacts the performance of commercial banks in Uganda. Correlation analysis tests will also be conducted to identify a correlation between the dependent and independent variables. Tests of significance will be designed in order to apply theory to sample data and then make judgements as to whether characteristics, differences or relationships

found in the sample can be expected to have occurred naturally or by chance in the population from which the sample was drawn (Blaike 2001:207).

1.9 LITERATURE REVIEW: CLARIFICATION OF KEY CONCEPTS

This section will briefly introduce the key concepts used in this study. An in-depth discussion of the topics will be provided in the literature chapters.

1.9.1 Business behaviour and business rule

The behaviour of an organisation is the development of methodology where notions and ideas from policies and practices of the organisation are adopted and used. Maher and Anderson (1999: 20) suggested that the behaviour of the organisationis intended to assert the business structure. Ronald (2003) and Burhan (2013:71) concur that it is anticipated to support the business structure or to control or influence the behaviour of the business. Ronald (2003:3) as cited in Burhan (2013:71) refers to a business rule as an intentional declaration to influence or guide business behaviour. Thus, business rule can be viewed from two perspectives, firstly, as a directive to enhance business performance, secondly, as guidelines to shape business behaviour between customers and employees (Burhan (2013:71).

1.9.2 Attributes of rules of business behaviour

1.9.2.1 Confrontational behaviour

Muhlbacher, Leihs and Dahringe, (2006:366) identified four types of conduct which organisations use as strategies in a competitive environment. These forms include

frontal attack, flanking, market encirclement and bypassing. Organisations use these marketing actions when they deal with challenges of competition.

a) Frontal attack

The global organisation may use frontal attack as a hostile movement of force towards the competitor's tactics. Kotler (1985) maintained that frontal attack occurs when an organisation takes all of their forces and places them directly opposite the opponent. These organisations should have substantial resources and significant competitive advantages through their products and services. According to Muhlbacher *et al*. (2006:367), the frontal attack focuses on limited price and value, as a cost-and-quality based frontal attack.

However, Kotler (1985) suggested that another type of the frontal attack is the pure limited frontal attack. This strategy focuses on specific customers and tries to lure them away from competitors. An organisation which decides to use the limited frontal attack needs to pay much attention to the specific needs of the target customer so that they can convince them of the superior benefits of the product. Muhlbacher *et al*. (2006:369) further suggest that another type of frontal attack is price-based frontal attack. It relies on commodity features that are similar to those of competitors. The aggressor focuses mainly on the price of a product to gain more customers. Value-based frontal attack is another type of frontal attack, which relies on product or service differentiation through distinctiveness other than price. Since the global organisationengaged in research and development of their product, it is easy for them to attain competitive advantages, thus creating differences which determine the organisation's distinctive capabilities. Therefore, a value-based frontal attack can succeed only when customers and

intermediaries in the distribution system perceive the firm's product as more attractive than competitors' offerings.

b) Flanking

Major competitors hold a strong position in the primary segment and when no existing brand fully satisfies the needs of customer then a flank attack can be used. A flanking attack is an offensive marketing strategy used to utilise competitors' weaknesses. Karakaya and Yannopoulous (2010:234) maintain that flanking attacks are based on the principle of the path of least resistance, attacking competitors in areas which they are least capable of defending. Furthermore, a global organisationmay be able to capture a significant share of market size by concentrating primarily on one large untapped segment. Spulber (1998: 118) also suggested that a global organisationusing the flanking attack should try to escape detection by established competitors to avoid retaliation as well as try to appear as a specialist interested only in its niche and not in its competitors' markets.

c) Market encirclement

The encirclement strategy involves the organisation targeting several smaller untapped or undeveloped segments in the market simultaneously (Walker *et al.* 2003:234). Furthermore, the ideal of this behaviour is to surround the main competitive brand with a variety of offerings aimed at several peripheral segments. This strategy makes most sense when the market is fragmented into many different applications, segments or geographical regions with somewhat unique needs or tastes. In addition, an organisation should strive for superiority in all areas. Encirclement attacks the competitor from all sides simultaneously. According to (Kotler 1981:231), there are two types of encirclement strategies, namely, product encirclement and market encirclement. Product encirclement introduces products with many different qualities, styles, and features that overwhelm the competition's product line. The market

encirclement strategy even goes beyond the end user and focuses on the distribution channels.

d) Bypassing

According to Kotler (1985:103), there were initially three types of bypass strategy, namely, develop new products, diversify into unrelated products, and expand into new geographical markets for existing products, whilst Muhlbacher *et al.* (2006: 369) argue that there are basically two important aspects namely, product bypassing and geographic bypassing strategies. Developing new products is a fairly easily understood bypass method. Rather than copying the leader, the competitor creates entirely new products thus gaining a larger market share of an untapped market. Diversifying into unrelated products is a second type of bypass strategy. Rather than remaining in a single-industry business the organisationwill venture out into product lines that are different from their one single product.

In reacting to this global competition, businesses have resorted to the development of strategies that not only protect their market interests but also allow them to access important networks (Andreas & Simon, 2008:494; Uusitalo, 2004:141). Entrepreneurial networks are sometimes focused on resource accessibility while others are centered on strategic market alliances for a competitive advantage (Andreas & Simon, 2008:494; Bengtsson & Kock, 1999: 96).

e) Guerrilla warfare strategy

Ives, (2004:13) defines guerrilla marketing as a “broad range of advertising methods that strive to strike when people least expect it”. In the past, guerrilla warfare strategies in business were about getting maximum impact for the least amount of money spent on advertising. Larger organisations are spending substantial amounts of money on campaigns that are more subtle and can appeal to “grassroots” consumers. Guerrilla

warfare as an emerging field encompasses many specific techniques a marketer can use to promote business untraditionally, creatively, and inexpensively.

According to Abbasi, *et al*. (2009:35), guerrilla warfare, under confrontational business behaviour, is a marketing tactic in which an organisation uses surprise and/or unconventional interactions in order to promote a product or service. Guerrilla marketing is different from traditional marketing in that it often relies on personal interaction and has a smaller budget, and it focuses on smaller groups of promoters that are responsible for getting the word out in a particular location rather than on wide-spread media campaigns. Levinson and McLaughlin (2005:87) claim that marketing is a process instead of an event and guerrilla marketing bears an essence of unconventionality, extreme flexibility and that it is not traditional or by-the-book.

1.9.2.2 Cooperation behaviour

An organisation can behave in a friendly manner by adopting the cooperation behaviour strategies. Muhlbacher *et al*. (2006:371) reported that there is a range of approaches that can be used, namely, defining “new” product markets, changing the “rules of the game” and entering strategic partnerships. Furthermore, an organisation with local, regional, and global competitors in its product markets may choose from a variety of ways of confronting them including frontal attack, flanking, bypassing and encirclement (Peteraf & Barney, 2003: 311). Cooperation can be in various forms, namely, business clusters, supply agreements, licensing agreements, joint ventures, and strategic alliances even with competitors.

a) Business clusters

According to Möhring (2006:1) “Clustering” refers to local concentrations of horizontally or verticallylinked organisations that specialise in related lines of business together with supporting organisations. Furthermore, Möhring (2006) suggests that business clusters allow enterprises to prosperunder conditions of progressively global competition. Thus,

organisations can achieve economies ofscale and lower their transaction costs due to geographicalproximity and increased interaction often based on trust by clustering together.Consequently, Kotler (1985:231) defines to business cluster as the collaboration between organisations, sometimes competitors, to exchange or share some value-added activities. Examples include joint research and development, shared manufacturing and distribution alliances.

b) Joint ventures

Czinkotan and Ronkainen (2010: 298) refer to joint ventures such as collaborations of two or more organisations for more than a momentary period. Althoughthe partners are equity stake participants, for instance, they share assets, risks, and profits, equality of partners are not necessary. According to Cateora, Gilly and Graham (2009: 325), a joint venture is different from other types of strategic alliances or collaborative relationships in that, it is a partnership of two or more participating companies that have joined forces to create a separate legal entity.

c) Strategic business relationships

In most cases competitive strategies by one organisationhave noticeable effects on its competitors and thus, may invite retaliation or efforts to counter the move (Quairel-Lanoizele´e, 2011:79). Organisations respond to competitor challenges by counterattacking through increased advertising, cutting prices (Uusitalo, 2004:41), increasing innovation and introducing new products or even accommodating the entrants by doing nothing or decreasing the level of marketing effort (Karakaya & Yannopoulos, 2010:80).

It is reported that some companies opt to cooperate instead of competing and they work as strategic partners, for instance, where an organisationenters into a relationship with another organisationfrom a different sector (Viitaharju & La¨hdesma¨Ki, 2012:565). In choosing between business relationships, some organisations opt for cooperation in the form of strategic alliances. Strategic alliances have been broadly classified as joint ventures, minority equity alliances, and contractual alliances. These alliances are demonstrated through joint research and development, joint marketing, alliance management experience and international partners (Teng & Das, 2008:736). While there are different types of relationships, the choice of relationship depends on the sector and purpose of the relationship taking place.

1.9.3 Typologies of competitors

Organisations with innovation strategies that pay little attention to rivals may introduce new products with an accompanying marketing campaign. Whilst a crucial outcome of innovation is also superior performance the orientation and subsequent practices of innovation are, however, different from competitive aggressiveness. (Kim & Mauborgne, 2005: 59). Alternately, in competitive aggressiveness the focus is to attack the rival's position. Being competitively aggressive is about the organisations' vigilant and forceful defiance of their current market position while seeking to undercut their rivals' position. Derfus, Maggitti, Grimm and Smith (2008:72) suggest that organisations need carefully and continuously to monitor and analyze their rivals and be motivated to improve their performance by attacking those organisations. There are three competitive aggressive attack strategies that an organisation can use, namely, defy attack, defense attack and debase attack.

(a) Defy attack

A defy attack entails an organisation trying to lock up a potential resource either to prevent a rival's access or increase its rival's costs to access the resource (Novikova & Vuori, 2013:17). Of the three approaches to competitive aggressiveness, a defy attack

is perhaps the most surreptitious because it may be done with little visibility and for ostensibly other reasons. Santos and Eisenhardt (2009) discovered that several new, successful ventures chose quietly to acquire other promising organisations for a reason which is contrary to conventional mergers and acquisitions.

(b) Defense attack

The defense attack is more direct and occurs when the organisationseeks to take a resource from a rival and then use the pirated resource (Novikova & Vuori, 2013:17). Kotler and Keller (2012: 325) suggest that the aim of the defense attack is to decrease the possibility of attack, divert attacks to less-threatened areas and lessen their strength. The defense alternative is perhaps the most direct attack on a competitor. It entails targeting an existing resource of a competitor and then taking that resource for the attacker's own use.

(c) Debase attack

The debase approach differs from a defense attack in that it does not attempt to take the resource away but rather to undercut the value of the resource. A debase attack can be subtle and it principally undermines the attacked rival's past investment in a resource (Stambaugh, Yu & Dubinsky, 2011: 55). Furthermore, Stambaugh *et al*. (2011) suggest that by debasing the resource base of a rival, the attacker potentially decreases that firm's future profitability as it must invest to upgrade the resource, pay to shift to a new resource, or continue to operate with the devalued, cost-inefficient resource and perhaps lose market share.

1.9.4 Competition

McAleese (2004:160) suggest that competition is a dynamic and inherently uncertain process, one in which some innovative business strategies succeed and others fail and in which the process of continuing rivalry between organisations gives consumers new

products and better managed businesses. For the purpose of this study competition is referred to as an act that encourages innovation and allows the more efficient organisation to prosper at the expense of the inefficient.

1.9.5 Perceptions regarding the competitive banking environment

Individuals respond to a situation based on their perceptions. Perceptions can be defined as a process by which individuals organize and interpret available informantion or their sensory impressions in order to give meaning to their environment (Robbins, Odendaal & Roodt 2001:107). According to Study.com (2015) a competitive environment is the dynamic external system in which a business competes and functions. The more sellers of a similar product or service, the more competitive the environment in which you compete. Futhermore, the competitive banking environment consists of relevant competitors and their membership in strategic groups, as well as barriers to market exit which force organisations to search relentlessly for new and better ways of doing things and thereby minimising costs (Muhlbacher *et al*. 2006:236).

Each business operates among a group of companies that produce competing products or services known as an industry (Yang, 2004:719). Although differences exist among competitors, each industry has its own set of combat rules governing such issues as product quality, pricing and distribution. This is especially true for industries that contain a large number of organisations offering standardised products and services. Industry players should not only react by focusing on their direct business rivals but should also look further and around to identify where they need to emphasise aspects such as the supply and value chain as well as the potentiality of industrial instability due to the entry of highly efficient players who may affect their profitability (Uusitalo, 2004:664; Viitaharju & La¨hdesma¨ki, 2012:569). Competitive dynamics literature refers to certain types of competitive actions which are either “tactical” or “strategic.” Tactical actions are typically easy to start or stop and do not reflect a substantial investment of resources whereas strategic undertakings imply a more substantial investment of resources and a greater commitment to the action by the

organisation (Ferrier & Hun, 2002: 534). In this study the views of bankers will be necessary in explaining a competitive banking environment. The opinions of the employees in the banking institutions where they work are vital in assessing the competitiveness in the banking industry.

1.9.6 Organsational performance

Aluko (2003: 172) defines performance as the accomplishment of work, tasks or goals according to a certain level of desired satisfaction. According to McNamara (2010), organisational performance refers to the effectiveness of the organisation in fulfilling its purpose and is a key indicator for evaluating the operational efficiency of a business. Organisational performance has been defined by many contemporary researches in terms of success, maximum utility, improvement, accountability among others (Schiehll & Morissette, 2000:9). This study will discuss the outcome of the rules of business behaviour in terms of the organisation's performance as measured by market growth, profitability, sustainability and competitive advantage. In this study the focus will be mainly on non-financial measures of the organisational performance, such as sustainability, public image, corporate governance.

1.9.7 Customer retention

Mostert (*et al.*, 2009:120) and Dawes, (2009: 232) cited by Molapo and Mukwada (2011:52) define customer retention as the way in which organisations focus their efforts on existing customers in orde to continue doing business with them. Furthermore, customer retention is referred to as the marketing goal of preventing customers from going to the competitor. Successful customer retention starts with the first contact an organisation has with a customer and continues throughout the entire lifetime of a relationship. Therefore, an organisation's ability to attract and retain new customers is not only related to its products or services, but also strongly related to the way it services its existing customers as well as the reputation it creates within and across the marketplace (Mittal & Frennea, 2012: 261). Firm-client relationships in

service industries are important as they influence the satisfaction, support and retention of clients. Customer retention could be increased through value insights gained by combining data analytics and knowledge of customers (Saubert, 2009:33). These insights enable organisations to offer a value proposition which resulted in a decreased risk of customers defecting.

1.9.8 Customer loyalty

Oliver (1999) cited in Akin (2012:26-27) defines loyalty as a deep commitment created for repeat purchasing behaviour or becoming a customer of a preferred good or service, on a continuous basis in future. It entails repeated purchases of the same brand or brand set, despite situational factors that can cause a change of behaviour and all marketing efforts. Therefore, customers appear to be loyal because they continue to buy from a single seller but their apparent loyalty is due to a lack of good substitutes and they are actually unhappy with the product (Hidalgo, Manzur, Olavarrieta, & Farã-As, 2008:691-696). On the other hand, merits of loyal customers, for instance, lower cost, long term relation, buying more and paying more, bring companies competitive advantages (Akin, 2012:26). Building customer loyalty is a continuous process and it is more of a journey than a destination (Jung, & Yoon, 2013:34).

1.10 SCOPE AND DELIMITATION OF THE RESEARCH

The study intends to investigate the relationship between rules of business behaviour and the competitive environment. The study will further assess the impact of the competitive bankning environment on organisational performance, retaining customer base and customer loyalty in Uganda. Geographically, the study will be carried out in Uganda and particularly in different towns of Uganda. Towns were selected because that is where most of the commercial banks are located. In Uganda, the density of bank branches stands at 5.9 banks per district. However, there is evidence of uneven distribution of banks across the Country. This is because access to bank branches has

remained concentrated in a few districts/towns in the central region. Kampala, Ntungamo, Mukono, Mbarara and Wakiso have more than two access points per 10,000 adults. However, 41 percent and 48 percent of districts out of 112 districts in Uganda have access to any bank branches and ATMs, respectively. The Nothern region has the lowest number of access points due to the previous war. The distribution of banks is determined by business decisions such as cost, profitability, political stability and business opportunities (BOU March 2014:13).

1.11 PREVIOUS RESEARCH

It is important to note that businesses do not operate in a vacuum hence there will always be other players in the market. The presence of other players demands that rules of business behaviour be practiced. Two categories of rules of business behaviour will always prevail, namely, confrontation and cooperation (Nguyen, 2007:15). In either the choice of rules of business behaviour, there is an implication on the performance of organisations (Franco-Santos *et al*. 2007:785) due to differences in reaction to competition.

Cooper and Gardner, (1993) suggest six reasons why organisations formulate rules of business behaviour. These rules are: necessity, asymmetry, reciprocity, efficiency, stability, and legitimacy. Theoretically, there are forces behind the choice of competition (Lemmink & Kasper, 1994: 50). Some of the forces are based on business interests, while others may depend on the interests of the owners (Teng & Das, 2008:727). Therefore, the relevance and applicability of the rules of business behaviour framework as presented in literature were tested in different competitive environments. After all, different organisations enter into business relationships for different reasons and the way they manage those business relationships on the basis of rules of

business behaviour vary (Solesvik & Encheva, 2010:710). Competitiveness has become a central preoccupation for both advanced and developing countries in an increasingly open and integrated world economy. Despite its acknowledged importance, the concept of competitiveness is often controversial and misunderstood. As such, there is no accepted definition of competitiveness and no generally accepted theory to explain it (Li-Hua, 2007:7; Notta, Vlachvei & Samathrakis, 2010:1). Profitability, costs, productivity and market share at the business level, for example, are all indicators of competitiveness (Thorne, 2005:3). Generally, competitiveness is considered synonymous with success. On the other hand, the level of competitiveness of a business would mean that it should be able to retain the customer base, enhance its market share, demonstrate growth, and ensure continuous improvement in productivity (Khader, 2001:3). Pitts and Lagnevik (1998:7) argue that "a competitive business is one that possesses the sustained ability to profitably gain and maintain market share in domestic and/or foreign markets." No one best measure of competitiveness exists, but market share and profitability could provide useful insights into overall competitiveness (Kennedy, Harrison, Kalaitzandonakes, Peterson & Rindfuss, 1997:6). On the basis of these previous studies, it appears that there is a gap in the rules of business behaviour and nature of competitor typologies in the competitive banking environment in Uganda.

1.12 STRUCTURE OF THE RESEARCH

The thesis will be structured according to the following eight chapters:

- **Chapter One**: **Introduction and background of the study**

  This chapter introduces the study by providing the background to the study, the problem statement and outlining the research objectives and questions, hypotheses and a brief overview of the research methodology of the study will be highlighted.

- **Chapter Two**: **An overview of the banking business environment in Uganda**

An analysis of the current business environment of the commercial banking sector of Uganda is highlighted. Challenges, the nature of competition and performance indicators are presented and discussed.

- **Chapter Three**: **A theoretical overview of rules of business behaviour**

  This chapter provides a review of literature relating to rules of business behaviour in terms of confrontation and cooperation.

- **Chapter Four: Analysing the nature of a competitive business environment**

  This chapter outlines the nature of competition and competitive business environment.

- **Chapter Five: Proposed hypothetical model of the study**

  This chapter highlights the proposed hypothetical model of the study of the impact of rules of business behaviour on perceptions of the competitive environment and performance of commercial banks in Uganda. The research variables of the model are also operationalised.

- **Chapter Six: Research design and methodology**

  This chapter discusses the research design and methodology adopted in this study. Aspects such as the research paradigm, population, sampling, data collection, questionnaire design and data analysis will be highlighted.

- **Chapter Seven: Empirical evaluation of the perecptions of rules of business behaviour in the competitive banking environment**

  This chapter presents the main empirical results of the study. The results are presented and discussed by means of tables and figures.

- **Chapter Eight: Summary, conclusions and recommendations**

  On the basis of the empirical findings of the study, this chapter presents a summary, and main conclusions and recommendations. Table 1.2 lists the different chapters of the research report.

Table 1.2: Structure of the study

CHAPTER	TITLE
1	Introduction and scope of the study
2	An overview of the banking business environmentin Uganda
3	Theoretical overview of the rules of business behaviour
4	Analysis of the nature of a competitive environment
5	A model of employees' perceptions of the rules of business behaviour in a competitive banking environment
6	Research design and methodology of the study
7	Empirical evaluation of the perceptions of rules of business behaviour in the competitive banking environment
8	Summary, conclusionsand recommendations

1.13 SUMMARY

This chapter provides an introduction of and background to the study. The main focus is to conceptualise the impact of rules of business behaviour and typologies of competitors within the competitive banking environment in Uganda. This chapter also provides the problem statement, research questions and hypotheses, the conceptual model of the study, research methodology and a clarification of the key concepts of the study.

Chapter two clarifies the competitive business environment in which commercial banks operate within Uganda.

CHAPTER TWO

OVERVIEW OF THE BANKING BUSINESS ENVIRONMENT

2.1 INTRODUCTION

Chapter two sets out to highlight the primary factors of the business environment in which the banking Industry operates and seeks to retain customers and attain high performance. This chapter also focuses on the internal and external factors that influence the outcomes of the banking business environment. However, it must be noted that these factors are complex and dynamic in nature because they not only influence the organisational performance but affect how the banking business would strive for optimum and sustainable performance. Therefore, it is important to discuss the business and regulatory environment of the banking organisation. The purpose of this chapter is also to review the literature on the banking business environment in order to understand the meaning of various concepts in the banking environment. Finally the chapter also endeavours to explain the business banking environment in a Ugandan perspective.

2.2 THE BUSINESS ENVIRONMENT

Business environment may be defined as the study of the business in relation to its environment and a set of external and internal factors which may influence the continued and successful existence of the business organisation. Organisations are open systems and have to interact with the environment (Kaifi & Noori 2011:89). To survive and grow organisations must make a sound judgment of their surroundings and avoid costly errors (Bosch, Tait & Venter, 2011:40). While there are multiple characteristics of the environment, one fundamental dimension that can affect how banking organisations respond has always been the degree of uncertainty (Lin 2006:439). It is imperative to understand the environment in which the business has to operate and to learn more about various components of the business environment in

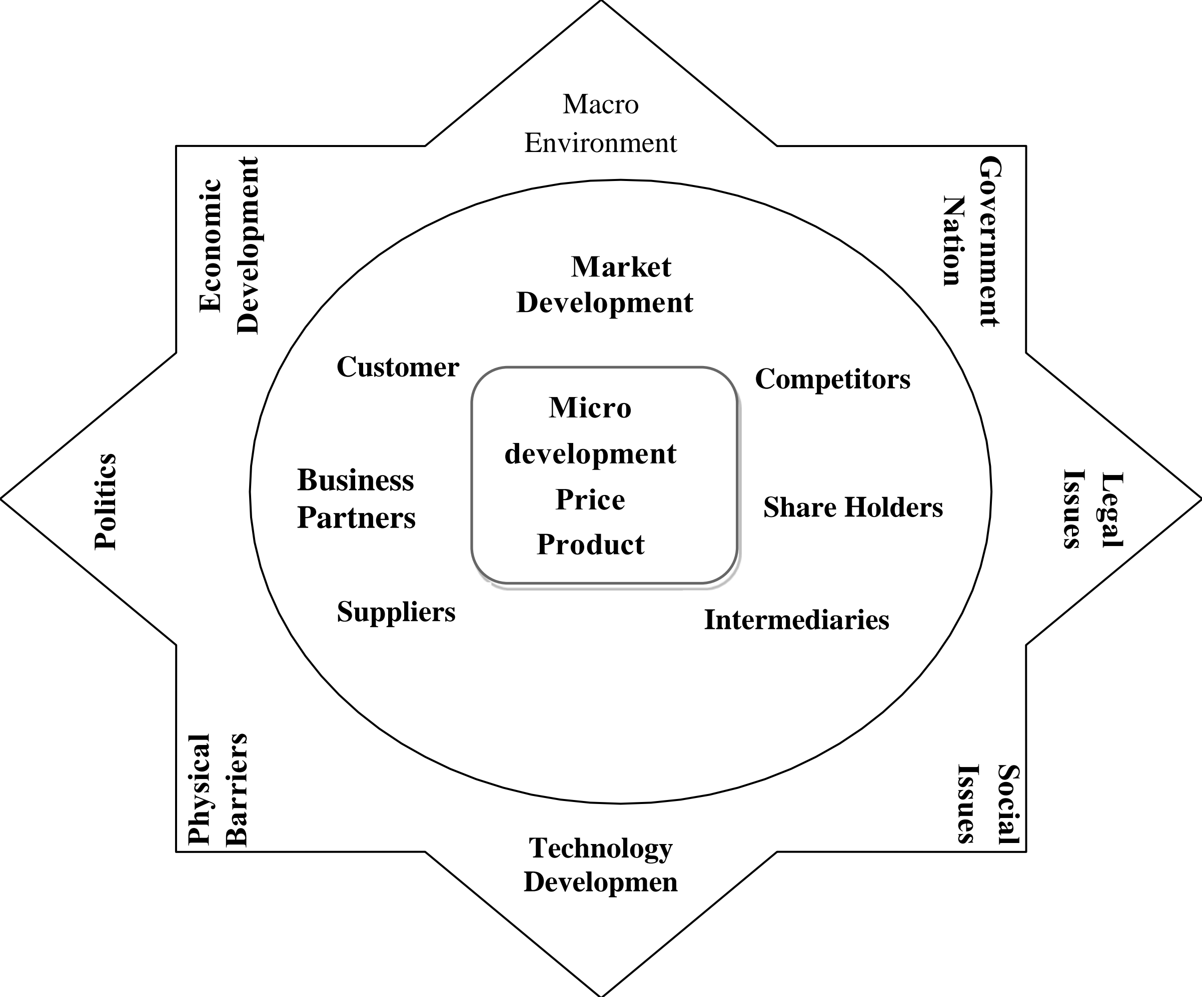
order to conceive better, more informed and likely more competitive business models (Kohl, Gunasekaran & Saad, 2005:385). The striking feature of business environment review is the wide range of perceptual environmental characteristics measured in uncertainty studies.

This study analyzes the nature of the business environment from the perspectives of its complexity and dynamics. According to Platzek (2012:51), the business environment is essentially very difficult to understand, as it is very tough to tell any possible future happenings when environmental changes take place too rapidly as in the case of the banking industry. Business environments are believed to be dynamic in that they keep on changing whether in terms of technical improvement or entry of new competition in the market. Reino, Kask and Vadi (2007:124) argued that the ability of an organisation to adapt to changing environmental circumstances is a key to organisational survival while effectiveness of the adaptive response is dependent on aligning the response to the environmental circumstances faced by the organisation.

The stable and unstable dimension refers to whether elements in the environment are dynamic or not. An environmental domain is stable if it remains the same over a period of months or years and only few elements change in a predicable fashion. It is a known fact that Uganda banking houses are multinational companies and, as such, must examine several key factors, (1) political environment, (2) economic growth prospects, (3) local labour supply, and (4) financial stability, when conducting a feasibility study for possible Banking destinations (Tanoos, 2012:74). Ball, Coelh and Machas (2003) suggested that the dimensions of the business environment are about classifying the types of business environment according to its markets.

Figure 2.1 illustrates three types of business environments: the macro environment, marketing and micro environment.

Figure 2.1: Framework of the business environment



Source: Adapted from Ball *et al.* (2003)

2.2.1 Micro business environment

Worthington and Britten (2006) reported that the micro forces are conceptualised as those forces which are internal, thus management can administer the adoption of changes in the micro forces that affect the firm.Thus micro environment comprises those elements in the firm's internal environment over which the organisationhas complete control within the context (parameters) of its market and macro

environments.The micro environment constitutes the organisation and its marketing mix (4Ps), namely, price, promotion, product and place and the objectives of the organisation.

2.2.2 Market business environment

Market business environment is the force in which the organisation interacts most immediately with the intermediaries, suppliers, customers, competitors, organisation resources and resource markets.

a) Intermediaries

Kotler and Armstrong (2010:82) define marketing intermediaries as businesses that help the organisation to promote, sell and distribute its goods to final buyers, such as, resellers, physical distribution organisations, marketing service agencies and financial intermediaries.

b) Suppliers

The supplier force is divided into two categories, namely, the supply of the firm's product to the market and the supply of resources needed by the organisation for production of various goods and services. The supply of the firm's products is defined as the quantity that an organisation is willing and able to supply to the market at a particular price (Worthington & Britton, 2006:319). Furthermore, it is noted that the key force in the firm's micro environment are those who supply the inputs of raw materials and other relevant components to the firm. According to literature, the importance of a steadfast source of supply to the smooth functioning of the business is very important. In a study conducted by Worthington and Britton (2006:319), the authors argued that uncertainty of the supply or other supply constraints, most times, compels companies to endure high inventories, leading to significantly increased costs. Due to constant sensitivity of supply, a lot of organisations end up relating the high importance to

vendor development or vertical integration, where feasible, to solve the problems associated with supply.

Furthermore, the risks for the organisation are high if it depends entirely on a single supplier, which, due to occurrences of strikes, lock out or any other product impediments, may not be able to supply essential material. This may extremely affect the firm. Any other changes in the attitude or behaviour of the supplier can affect the firm. However, other sources of supply can lessen such impidements (Worthington & Britton, 2006:319). The supply management department has to be extremely strategic in an environment where scarcity prevails. The firm's purchasing agents have to wine and dine suppliers in order to market themselves to obtain preferential treatment.

c) Customer

It has been noted that the biggest role of a business is creation and sustainability of clients. Any business exists because of its customers. Monitoring customer sensitivity is therefore, a prerequisite for success in the business. An organisation may have different categories of consumers such as individuals, households, industries, other commercial establishments, government and other institutions.

According to Worthington and Britton (2006:319), relying on a sole consumer is too bad a risk and can place the organisationin a disadvantaged bargaining position. It can also lead to the high risk of losing business as a result of the twisting up of business by the customer or when the customers switch over to other competitors of the firm. It is highly reccomeded that the choice of the client division sought to be made by considering a number of factors including the relative profitability, dependability, and stability of demand, growth prospects and the extent of competition.

c) Competitors

Organisations have a number of competitors, including, organisations that market the

same or similar products as well as all those products that compete for the discretionary income of the consumers. For example, the competition for a firm's televisions, may come not only from other television manufacturers but also from other makers of products such as two-wheelers, refrigerators, stereo sets and the others from organisations that offer services such as savings and investment schemes in the financial organisations. Such competition amongst products may be described as preferred competition, as the principal significance of this is to influence the basic desires of the consumer. Such desirable competition, according to Worthington and Britton (2006:319), is usually very extraordinary in countries that are characterised by a few people with disposable income and many unsatisfied desires coupled with many alternatives for spending or investing the disposable income.

Furthermore, Ball *et al.* (2003) noted that should the customer choose to spend his or her unrestricted income on recreation activities or related activites such as recreation cum education, they will have a number of alternatives from such products as television, stereo music centres and other diverse products. Competition among such alternatives, which gratify aparticular category of desire, is called generic competition (Ball *et al.* 2003). In an event where the consumer opts to purchase a television set, the next question is whether it should be a black and white or colour television with or without remote-control. In other words, there is also a product to choose from the competition and between multiple brands of the same product. The implication of these different demands is that the marketer should endeavour to build primarily a selective demand for his products.

2.2.3 Macro business environment

According to Ball *et al.* (2003) macro environmental dimensions constitute all environments where management does not have the ability to control it.These are the external forces. The organisation has a certain amount of control and ability to influence the market environment. In contrast to the micro environmental forces (controllable forces), the macro environmental forces (uncontrollable forces) are forces

which comprise factors such as, economic, political, socio-cultural, technology and legal influences. These forces which can emanate not only from local and national reserves, but also from an international perspective have an influence on the banking industry. An organisation is said to have no control over these forces but it can adapt to them after careful scanning (Worthington & Britton, 2006:6).

a) Economic and socio-economic forces

Ball *et al.* (2003) maintain that a modern economy is characterised by what comprise the bases of a country's economic wealth, namely, skills and flexibility of its population, available infrastructure and wealth of technology, and the relative level of ecological balance.

Furthermore, when banks enter overseas markets, economic analysis becomes more complex because new managers must now operate in two new environments. Foreign and international bankers should provide economic data (to bank management) both actual and prospective markets, by identifying and analyzing economic variables, which include population, natural environment, technology, the economic system, national income, balance of payment, exchange rate and foreign trade reserves. The analysis of this variable will determine the decision of the bank of the favourability of the economic and source economic forces (Ball *et al.* 2003:237).

Bank Management require data on the size of the organisation and any other economic and socio-economic factors for banks to estimate the foreign market potential as well as to provide input to the other financial aspects of the firm. Socio-economic data provide information on purchasing power. This means that, potential markets must have sufficient people with the means to buy the firm's products (Ball *et al.* 2003:236).

An analysis of the economic dimension of the economic and socio-economic forces is focused on economic indicators, gross national income, distribution of income, and

private consumption expenditure. Personal ownership of goods, private investment, labour cost, exchange rates, inflation and interest rates, and the gross national income aggregate is the total of all final goods and services produced in a country; its gross domestic product (GDP) (Ball, *et al.* 2003).

Whilst the global recession had some impact on the Ugandan economy, reports indicate that regional trade together with a thin financial sector has hugely protected Uganda from most of the worst effects since 2008. However, this has not saved businesses so much, as many have faced some challenges from the crisis. According to the bank of Uganda financial iclusion report of 2013, the overall growth fell to 5.8% in the year 2009/2010 and major remittances, tourism revenues, and sales of key exports, such as coffee, fish and flowers, also declined significantly. The same report states that private investments in Uganda also dropped slightly as a result of tight credit markets. Although revenue collections by the Uganda Revenue Authority (URA) the tax body rose to $2.1 billion in 2009/2010 from $1.8 billion in 2008/2009, this was still less URA's projected target of $2.23 billion for FY 2009/2010 (Peiris, 2005: 51).

Makerere University conducted a study of Ugandan businesses in 2008 and found that the lack of capital was the ultimate obstruction to increased investment in the country (Uganda) while the same study established that corruption was the second greatest impediment. It is noted that loans are normally short term, (1-2 years) in contract with interest rates ranging from 15% to 24%. These are high interest rates for many Ugandans. Additionally, little liquidity exists for longer-term loans above three years. Similary, investors warn that Uganda's population growth hugely and deeply undermines the country's current political and economic stability. Given the 3.3% per year, Uganda's population growth rate is one of the highest population growth rates in the world. According to GOU (2010) the country's current population of 33 million is expected to double to over 60 million in 20 years and reach 130 million by 2050. The ever growing population is putting a growing burden on social ammenties, infrastructure and land resources which are not only limited but also poorly equipped

and structured. Corruption, by far is a serious problem and the GOU's political will to fight it remains questionable (GOU, (2010: 44).

b) Political environment

It is clear that politics and business cannot be separated. Business activities clearly take place within and across state boundaries and repeatedly encompass the government either directly or indirectly (Worthington & Britton, 2006:42). Furthermore, the politics of the state can have an essential influence on business operations within a given country. The banks consequently have to make a detailed examination of the current political atmosphere, make a number of broad and common observations of political changes and uncertainties and its impact on a given business activity. Worthington and Britton (2006:42) provided the following useful guidelines for political environment assessment:

- *Firstly,* the background of any country's political system and its governmental institutions reflects certain underlying social values and philosophies which aid in determining the making of decisions such as the allocation of resources. Therefore, governments lack continuity as mamangement changes hands frequently, thus the values on which their decisions are based, tend to be a lot more long-term and as a result disputes normally centre around 'means' such as, sources of revenue, rather than 'ends' such as, controlling inflation. Although this provides a firm notch of stability to the business environment, this stability cannot be taken for granted. To this end, such occurences clearly indicate that the political environment of business is a dynamic environment, comprising elements of continuity and change. Consequently, students and practitioners of business alike, need to be constantly aware of any such developments in these areas, if they are to gain a superior intuition into the background of business decision making.
- *Secondly,* the changes in the political environment equally stem from a given

country's institutional structures. The propensity in the so- called democratic states, for regular elections while competing with other political parties offers unconventional policies, as well as a system of pressure groups, which help to create a degree of discontinuity that reduces predictions about the more uncertain future. For businesses, such dangers are normally echoed in the attitudes and behaviour of a country's financial and other markets. This represents a further variable which at times can be critical for future prospects. Therefore, cautions that taking steps towards maximizing opportunities (or to minimizing risk) may eventually make a difference between short-term failure and long-term survival.

- *Thirdly,* it is imperative to demonstrate and emphasise that political influences are not restricted to national boundaries. This is highlighted by the increasing importance of international and supranational groupings such as, the G8 nations, the European Union (EU) and the World Trade Organisation (WTO). Such external political-economic influences form part of the environment in which a country's governmental institutions take decisions together with their bearing on domestic policy and business activity which can often be fundamental.
- *Fourthly,* the clear-cut effects of political factors on a given business tend to vary according to the type of organisation that is involved. For example, multi-national corporations that operate on a worldwide scale are likely to be more concerned with questions such as, the stability of overseas political regimes more than the small local organisation operating in a localised market. There will indisputably be instances when even locally based enterprises will be affected either directly or indirectly by political developments in other parts of the world. This occurs in cases of a breakdown in supplies or the cancellation of a foreign order in which a small business is involved as a sub-contractor. This shows that, while some expansive generalizations can be drawn about the impact of global (or domestic) political developments on an individual organisation, each case is to a certainpointexceptional in both space and time, and observers of the business scene need to be vigilant and open-minded in their investigation if they are to circumvent the dangers of over-simplification and empiricism.
- *Finally,* there is a salient need to recognise that businesses are not simply sensitive

to changes in the political environment but can also help to shape the political context in which they run. Furthermore, businesses can influence government decision makers, especially in a way which is advantageous to their own perceived needs. One of the trademarks of democracy is the right of individuals and groups to seek to influence government, and businesses, both independently and jointly. It would be short-sighted, as Worthington and Britton (2006:42) notes, to undervalue their impact on government policy or on the shaping of values in the established capitalist nations of Western Europe and elsewhere around the world.

For bankers to carry out political assessment of a country, variables such as, government stability and government policy may be involved.

c) Ideology

When a banker analyzes a political environment, it is necessary to assess the ideology of the target country. An ideology is a set of integrated beliefs, theories and doctrines that help to direct the actions of a society. It is true that in all cases political ideological aspects are always intertwined with economic approaches or philosophies.

Muhlbacher *et al*. (2006:140) postulate that political parties and interest groups play a significant role in influencing a country's market and political environment because they channel public opinion into the variation of government policies and laws.

d) Government stability

In carrying out political analysis, banks have to assess the government stability. According to Ball *et al.* (2003:348) government stability is stable if it remains in power and when its fiscal, monetory, and political policies are predictable and not subject to sudden or radical changes. On the basis of this perception government stability can be two-dimensional, economic stability and political stability. Economic stability is the ability of a particular government to maintain its economic policies without a

sudden or radical change. However, political stability determines the investment attractiveness of a country. For example, in Uganda during the period of 1970s - 1980s, there was political instability which meant that it was dangerous for banks to invest in the country. The two important tasks of a stable government are to ensure a security pattern on investments, and the protection of investments.

e) Government policy

All policies governing trade and business, such as, trade policy, investment policies or the industrial policy and other related policies are formulated by professionals but sanctioned and endorsed by politicians. Banks have to evaluate the country's trade and investment policy, which sets laws and rules that govern the flow of goods and services across the country's borders (Muhlbacher *et al.* 2006:140).

These policies provide a framework for investment flow, exports and imports. The other dimension of government policy is the assessment of privatisation and nationalisation.

f) Legal Environment

Commercial banks are confronted with the legal environment both in domestic and foreign countries. According to Muhlbacher *et al.* (2006) these are systems created by a society to govern its members' behaviour. Commercial banks should take note that rules and regulations are not unique to a particular country because each state has its own legal system. It is essential for bankers to assess the legal systems of the target countries.

As noted by Muhlbucher *et al. (*2006:152) a country's legal system determines the rules that govern the conduct of business. Each country has its own laws due to legal heritage. The code law spells out precisely what constitutes proper behaviour

attainment; sometime interpretation is required. Contrasted against those legal systems is the socialist law, the legal system of socialist countries which is based on different views of a society.

Banks should be able to analyze the implications that these legal systems could have on the bank's needs. It should be noted that the objective of the business organisation is shareholder wealth maximization and the objective of the government could be to provide or stimulate employment.

In assessing the legal environment, bankers have to analyze various regulations that could impact on their business operations. These are taxation regulations, anti-trust laws, the bank law, regulations on competition, and regulations concerning the market mix.

According to Hartman and Mutmansky (2002:26), the laws applicable to the banking industry may be categorised as folllows:

- Consumer laws: These laws are designed to protect customers from unfair practices such as deceptive advertising of the product and distortion of the demand side in order to increase the share value (Leary 2005:1149).
- Competition laws: These laws are aimed at ensuring fair competition and free flow of truthful information in the marketplace such as protecting small organisations against being bullied by larger organisations and ensuring that customers are not exploited by organisations with monopoly power (Leary 2005:1147-1149).

In line with the current business environment in Uganda, the legal environment refers to the legal environment in which an organisation operates. Changes in legislation may have an impact on employment, access to materials, quotas, resources, imports/exports and taxation. In recent years, many significant legal changes have affected the behaviour of business organisations all over the world. For example, the introduction of age discrimination and disability discrimination legislations, the upsurge

in the minimum wage and greater requirements for organisations to recycle are example of relatively recent laws that affect an organisation's work and actions.

It is vital to consider factors arising from changes to such laws, since the last decade has seen a significant rise in the breadth and depth of the legal regulations within which organisations have to operate in Uganda. Legal compliance has become such an important issue during this period that many banking business analysis assignments have been carried out for the purpose of ensuring compliance with particular laws or regulations in Uganda. Some legal issues may originate from the national government but others, for example EU laws or global accounting regulations, may operate across a broader spectrum. One key issue when considering the legal element in business analysis is to recognize laws that have an impact upon the Institution even though they originate from countries other than that in which the organisation is based. This situation may occur where a bank is operating within the originating country or working with other institutions based in that country.

Despite the existence of differences among competitors, every industry has its own set of combat rules governing issues such as product quality, pricing, and distribution. This is very true for the industries with a large number of organisations that offer standardized products and services. In Uganda, most competitors although not all are not consistent in strictly applying these rules, for instance, not all businesses operating in Uganda are registered or have registered patents. In addition, a big number of businesses within the Ugandan business environment are known to be evading taxes. This act contravenes URA act according to Doing Business in Uganda, (2011). Breaking the rules and charting a different strategic course might be possible, but may not be desirable to either party. As such, it is important for strategic managers to understand the structure of the industry or industries in which their organisations operate before deciding how to compete successfully (Darin, 2011:39).

g) Technological variables and technology in the banking industry

In a business perspective, the technological environment refers to any changes in technology that can change or modify the firm's competitive position. On the international level, Industries merge; new strategic groups emerge; current products expand and the cost of production gets reduced by process innovation. In managerial terms, managerial innovations are deemed part of the technology scan. These may as well refer to the fast developing and advancing world of technological changes which can impact the work and dealings of any given institution in the society.

New technologies create new processes and procedures. Things that were not possible a couple of years back are now main stream. Online shopping, bar coding and computer aided design are all improvements of the way companies do business now as a result of better technology. Technology can also reduce costs in the long run, improve quality, and lead to innovation. These developments can benefit customers as well as organisations which manufacture the products.

It is the same technology that has led to the advent of Electronic commerce. E-Commerce is thought to hold the vibrant promise of a new wave of commercial revolution by offering cheap and direct approach of exchanging information as well as selling and buying goods and services. According to Abor, (2005: 87), this revolution in the market place has set in motion a revolution in the banking sector for the provision of a payment system that is compatible with the demands of the electronic marketplace.

To duly fulfil the broad, ever chainging and increasing requirements of customers, several banks in Uganda have unceasingly embraced information or automation technologies. Several studies have found that innovation is by far the most important instrument for enterprises to keep their competitive advantage (Damanpour & Evan, 1984: 30; Kimberly & Evanisko, 1981: 56). Indeed, Abor (2005: 47) suggests that many banks are making what seems like huge investments in technology to retain and elevate their infrastructure, in order to provide new electronic information-based services as well as managing their risk positions and pricing. At the same time, new

electronic services such as online retail banking are making it possible for very small institutions to take advantage of new technologies at quite reasonable costs. These developments may eventually change the competitive landscape in the financial services (Abor, 2005: 47).

High level IT developmentsin the banking sector are increasing competition in financial institutions globally. This renders the deployment of advanced technologies in a banking sector a fundamental aspect to achieving a competitive advantage (Kamel & Hassan, 2003:1). In support of this, Mikdashi (2001:9), mantains that Information flow, trading and investment are self-regulating of time and place because of technology. The author cites an example of banking services which can be delivered at any time and at any place and not only in a physical banking branch during its opening hours but even beyond.

Petzer, Berndt and Saunders (2008:599) mention that technology is important for banks when expanding product and service provision to the un- banked segment of the population. It is clear that technologically advanced methods and systems are necessary in the banking industry to deliver products and services. According to Okeahalam (2008:1131), technological innovation has allowed banks to provide products and services through a variety of methods. Banking services are now provided by means of technological methods including ATMs, cell phones and the Internet.

The ATM is a relatively simple device that ensures that banking clients can access their accounts, conduct banking transactions and withdraw cash (Introna & Whittaker 2006:326). The convenience of the availability of banking services is the main benefit offered by the ATM to the banking client. Introna and Whittaker (2006:325) indicate that the ATM will, for the foreseeable future, be the dominant mode of access to cash for banking clients.Therefore, ATMs are considered as the main (most used) technologically advanced method in banks' product and service delivery processes. The use of technology in the banking industry also reduces the costs of service

delivery for banks. For example, the cost incurred by a bank if a client uses an ATM to withdraw cash is much lower than if the client was to make an “over-the- counter” transaction in a physical bank branch (Introna & Whittaker, 2006:333).

Ultimately, clients also benefit from using technological methods to access banking services, for example, the ATM, as banks charge clients lower banking fees for transactions made by using the technology it offers. However, the positive use of technology in the delivery of services can be restricted by various negative consequences of technological advancements. The ever increasing technological advancements limit the likelihood of human error and requires more extensive training of service employees.As result, banks must capacitate and mentor their employees more extensively to adequately equip them with knowledge of the use of the technology (Buckley & Caple, 2004:64).

Bruno-Britz (2008a), suggest that in Uganda, technology in cell phone banking services has made it very possible for banks to reach huge masses of un-banked population members, as most people have cell phones. Heffernan (2006:3099) states that small organisations often pay for the convenience of doing business at banks with extensive branch networks. The same may be true for individual clients. Okeahalam (2008:1133) mentions that closer proximity of bank branches to clients and not technologically advanced banking services can possibly influence the development of a bank’s relationships with its clients. Although a bank may have technologically advanced products and services, clients may prefer bank branches where direct contact with bank employees is possible; this may ensure improved client relationships with the bank. In effect, banks with fewer, conveniently located and efficient branches, may lose clients to competitors with extensive branch networks. This means that technology might negatively influence relationship marketing and customer retention.

h) Environmental variables

A social phenomenon of the industry sometimes causes disturbances in the socio-economic prosperity levels in the community, thus creating a gap between the expectations of the masses and the economic reality of the industry. Factors arising from concerns about the natural (or Ecological) environment, in other words the 'green' issues, include increasing concerns about packaging and the increase of pollution. According to World Health Organisation (WHO) (2010) environmental protection and conservation of natural resources should be high priority for any business in any part of the world. In a Ugandan perspective, a nationwide environmental management system has been implemented by focal organisations such as Kampala Capital City Authority (KCCA). Such initiatives are meant to ensure that society observes the law and sets high standards for the purpose of a clean enviroment. Beginning right from the product development stage, environmentally attuned designs, technical safety and health protection issues are fixed as main targets. In Kampala, the capital of Uganda, every KCCA employee regardless of their position must contribute to such goals through their own behaviour.

Elsewhere in Uganda, protection of staff health and safety within the organisation / workplace is a high priority for all businesess. It is mandatory for every staff member to nurture the organisations' efforts to conduct its operations in a safe enviroment and manner. The responsibility lies in the hands of employees. For example, they require the best possible accident avoidance procedures, which apply to; the technical planning of workplaces, equipment and processes, safety management, and personal behaviour in the everyday workplace (Johari, 2009: 9).

i) Social culture and socio-cultural components

Culture has been defined in various ways, but most anthropologists view culture as the sum total of the beliefs, rules, techniques, institutions, and artefacts that characterize a human population (Ball *et al.* 2003:292). This means, culture consists of the learned patterns of behaviour common to the members of a given society. According to Muhlbacher *et al.* (2006:180), culture is the collective programming of the minds that

distinguish the members of one group of people from another. Therefore, banks have to be concerned with culture, so as to note that there are cultural differences.They also need to analyze the new culture in which they wish to establish their business. Since culture cannot distinguish itself from business practices, it is partly an external force that impacts on the operation of the business. Culture can harm business functions in marketing, human resource management, production and finance. In marketing, there are diverse variations in attitudes and values which prevent many organisations from using the same marketing mix in all markets.

Bankers have to take into consideration the cultures of the particular countries to be successful in their relationships with people in other countries. Ball *et al.* (2003) postulates that it is important for businesses to have cultural knowledge, which is relatively easy to obtain but they must also be sensitive to cultural differences and this is more difficult to manage. The concept of culture is very broad and it has to be broken down to facilitate this study.

Ball *et al.* (2003: 298) notes that attitudes, norms and values are individual or personal characteristics of culture that have performance implications for the firm. Muhlbacher *et al.* (2006:99) defined value as an enduring belief with a specific mode of conduct or end state of existence and ispersonally or socially preferable to alternative modes of conduct or end states of existence. Furthermore, value influences customer perceptions as well as consumption behaviour. This indicates that, it underlies social norms, that is, accepted rules, standards and models of behaviour that directly affect the buying decision process (Muhlbacher *et al.* 2006:199).

According to Hill (2000:88) values and norms that potentially have a significant impact on customer behaviour on consumption are related to risk and wealth concerns. The other dimension of culture consists of aesthetics and socio-organisation. This is a socio-cultural component which is sensitive to the product of the global firm. A banker wanting to enter the foreign environment must ensure that their products do not

conflict with activities and social groups they intend to offer to in these countries. These include production campaigning, product design, labelling, packaging and colour.

Muhlbacher *et al.* (2006:213) noted that aesthetics can be an expression of colour, forms, shapes and sounds. This means that aesthetics is perceived as a cultural sense of beauty and good taste. Ball *et al.* (2003:296) suggest that art, drama, music, folklore and dances express a sense of beauty and good taste in a culture. However, bankers should avoid market failure.For example, the poor assessment of aesthetics and art caused the market failure of John Player cigarettes, an English cigarette brand, which was introduced in China during a New Year festival because it was associated with aesthetics of colour. John Player Special cigarettes, are packed in a black box with gold trim, while to the Chinese community the black colour is an expression of bad fortune and bad luck.

Socio-cultural factors in the banking industry are those arising from customers or potential customers of a particular bank. These changes can often be subtle, and they can be difficult to predict or identify until there is a major impact. Examples could be demographic issues such as an increase in the number of working mothers, or consumer behaviour patterns such as the rise of disposable fashion. The social factors in contention here relate to behavioural patterns, tastes, and lifestyles of the people. A major component of this is a change in consumer behaviour resulting from changes in fashions and styles. The age structure of the population also alters over time.

If businesses do not respond to changes in society they will lose market share and demand for their products and services. Furthermore, coercive influences, the central bank, the socio-economic and political institutions and the international financial regulations as Institutional fields have powerful actors and agents that impose structural forms or practices on other organisational units (Scott, 2001: 25). Labelled as coercive influences in business in many countries, these influences are represented by the country’s regulators and transnational institutions. Uganda’s culture concerns itself

with socially transmitted behaviour patterns, arts, beliefs, institutions and all other products of human work and thought are significant actors to the country's economic status.

2.3 THE BANKING BUSINESS ENVIRONMENT IN UGANDA

Banks are financial institutions and act as intermediaries between investor individuals and organisations, who are the suppliers of funds, and those individuals and organisations who raisefunds (Firer, Ross, Westerfield & Jordan, 2008:17). For this reason banks are of great important to any economy. They are commended for providing venues for linking those with surplus funds with those in need of funds. Thomas (2006:3-7) and Heffernan (2005:1) share similar views about this.

They similarly emphasize that, these institutions (Banks) play akey role in determining the quantity of money in the economy, and their financial products and services have expanded the methods currently available to invest savings and finance needs.

Meidan (1996:8) categorises these roles into five main of services, namely: cash accessibility, asset security, money transfers, loans and financial advice. Meidan (1996:8) explains that banks need to make client's funds available to them through various mediums, as required. This has been manifested as the leading roles that banks allover the world play. They provide asset security to its clients through safes and also ensure the safety of thier money deposits. According to literature, the term 'money transfers' refers to the banking service of moving client's funds from one account to another, comprising payment services to external parties. To this end, a bank is required to provide the service of loans or deferred payments to its clients. Banks also provide financial advice, such as on investments, wills, taxation, leasing, mergers and personal financial planning.

Uganda's commercial banks are duly engaged in practically every sort of monetary

transaction that takes place in the country. Such trasanctions range from cheque processing and the provision of cash to the electronic transmission of funds as well as handling of credit and debit card transactions. The transactions are controlled through an extensive distribution network of branches, agencies and automated teller machines (ATMs) all over the country. Additionally, banking services are provided through telephone, cell phone and Internet banking. It is said that major banks extend in services to both individual and corporate clients.

2.3.1 The historical and institutional context of banking sector in Uganda

The development of Uganda's banking sector dates back to 1906. It was during this time that the first private commerncial bank, (National Bank of India) was established. The bank went on to become Grindlays bank (Bategeka and Okumu, 2010). However, just before Uganda's independence in 1962, foreign owned commercial banks dominated the banking sector in Uganda. Beck and Hesse, (2006) note that in1966, which was four years after Uganda attained independence, Bank of Uganda (BoU) became the central bank, monitoring and regulating all currency issues and foreign exchange management. Bategeka and Okumu (2010:24) mention that with the establishment of Uganda commercial banks and Uganda Development Bank in 1972, which were state-owned, dominated the banking sectortogether with the East African Development Bank (EADB) establishement in 1967.

However, despite the above-mentioned developments, the banking sector has been marred by regular bank closures, mergers and acquisitions. Beck and Hesse, (2006: 66) observe that in addition to the National Bank of India, which was the first commercial bank in Uganda, Standard Bank was opened in 1912 and the Bank of the Netherlands was opened in 1954 and later merged with Grindlays Bank. Furthermore, the Uganda Credit and Savings Bank later became Uganda Commercial Bank (UCB) in 1969 after it was established in 1965 by an Act of Parliament. This was the the first local commercial bank established in Uganda. In 1953, Bank of Baroda was established, but first regularized as a commercial bank in 1969 as per the enactment of

the Banking Act of 1969. The Banking Act of 1969 was therefore the first legal framework that was put in place in order to regulate of the banking sector following the country's independence in 1962. Then the Bank of Uganda, the country's central bank to date was established in 1966 under the same regulation (Bank of Uganda Act (1966). This period and events were followed by the establishment of the Uganda Development Bank under the Uganda Development Bank (UDB) (1972).

The establishment of UCB and UDB, led to the dominace of government owned banks with in the banking diligence. UDB started receiving all foreign loans which were then channelled to the local companies for national or local developments. As for UCB, which had the biggest number of branches around the country (67), it handled the majority of the customers, while the East African Development Bank (established in 1967) handled the East African Community (EAC) businesses.

By the beginning of 1970, Uganda had more than 290 commercial bank branches. Unfortunatley, this figure reduced to 84 between 1970 and 1980's following severe political instability and economic decline during the same period. Out of the 84 commercial bank branches around the country, UCB owned the majority (50 branches). All the financial institutions in Uganda were supervised and regulated by the Bank of Uganda, according to Bank of Uganda statute 1993. The status quo still remains.

In the years that followed (July 1999), the central Bank of Uganda with its mandate dispensed a policy statement which classified all financial institutions into four Tiers. They include the following:

- Tier IV; financial institutions which are not regulated by Bank of Uganda and are not authorized to take in deposits from the public but may offer collateral or non-collateral loans.
- Tier III; Microfinance and Deposit taking Institutions (MDIs).
- Tier II; Credit institutions.
- Tier I; Commercial Banks.

Commercial banks are authorized to hold current, savings and fixed deposit accounts for both retail and corporate in both local and international currencies. Additionally, Commercial banks are authorized to transact the business of foreign exchange in all currencies. Table 2.1 shows the status and ownership of commercial banks and non bank financial Intermediaries (NBFIs) in Uganda.

Table 2.1: Status and ownership of commercial banks and Non Financial Intermediaries (NBFIs) in Uganda

Financial Institutions Tiers:	Current Status	Ownership
Commercial Banks(Tier I)		
Bank of Uganda	Operating	Government of Uganda (100%)
Standard Chartered Bank Ltd	Operating	Foreign (subsidiary of Standard Bank Group, UK)
Bank of Baroda Ltd	Operating	Foreign (Bank of Baroda India owns 80%)
Bank of India (U) Ltd		Foreign
Barclays Bank Ltd	Operating	Foreign(Barclays Plc owns the majority
Commercial Bank of Africa (U) Ltd		Foreign
EcoBank Ltd	Operating	Foreign(Ecobank, Togo owns majority
Kenya Commercial Bank(KCB) Ltd	Operating	Foreign(subsidiary of KCB Ltd, Kenya)
Finance Trust Bank Ltd		Foreign
Fina Bank Ltd	Operating	Foreign(Fina Group, Kenya holds majority shares)
Guaranty Trust Bank (U) Ltd		Foreign
Equity Bank Ltd	Operating	Foreign(EquityBank,Kenyaowns99%ofshare

United Bank of Africa(UBA)Ltd	Operating	Foreign(UBA Nigeria own majority shares)
Housing Finance Bank Ltd/HFCU	Operating	Government of Uganda (100%)
Imperial Bank (U) Ltd		Foreign
DFCU Bank Ltd	Operating	Foreign (Common wealth Development Corporation owns60%)
Global Trust Bank Ltd	Operating	Domestic
Diamond Trust Bank Ltd	Operating	Foreign (Diamond Trust Bank Kenya owns 51%)
Orient Bank Ltd	Operating	Foreign (Bank PHB Groups own 80%)
Crane Bank Ltd	Operating	Domestic
Cairo International Bank Ltd	Operating	Foreign(National Bank of Egypt and other banks in Egypt own it)
Banks(Tier I):		
Centenary Bank Ltd	Operating	Domestic
Citibank Uganda Limited	Operating	Foreign(Citibank Group USA owns it)
National Bank of Commerce	Operating	Domestic
NC Bank (U) Ltd		Foreign
ABC Bank Capital Bank Ltd	Operating	Foreign (ABCBankKenyaowns40%; others 60%)
Bank of Africa	Operating	Foreign(Bank of Africa Kenya holds 51.2% shares)
Stanbic Bank (U) Ltd		Foreign
Tropical Bank Ltd		Foreign
United Bank for Africa (U) Ltd		Foreign
Global Trust Bank	Operating	Foreign(Industrial and General Insurance Company and National Insurance Corporation own 98% of shares)
Credit Institutions (Tier II):		
Mercantile Credit Bank Ltd	Operating	Domestic
Opportunity Uganda Ltd	Operating	Foreign (Opportunity Transformation Investments and Opportunity International Australia own 100%)
Post bank Uganda Ltd	Operating	Government
Stan hope Finance Ltd	Unclear status	Domestic
Imperial Credit Institution	Unclear status	Domestic

Microfinance Deposit-taking Institutions (Tier III)
Financial institutions which are not regulated by Bank (Tier IV)

Source: Researchers' Construct (August 2014)

2.3.2 The current structure of Uganda's banking Sector

Uganda's banking sector is dominated by international banks, holding at least 88 percent of total sector assets according to the Bank of Uganda Report, 2012. Standard Chartered and Standard Bank (Stanbic) are the two biggest banks in the country, together holding a market share of almost 56 percent. On a stand alone basis, Stanbic Bank, which acquired Uganda Commercial Bank in 2002, is the largest bank with a market share of about 31percent on top of boasting the largest branch network in the country of 68 by the year 2014. The dominace of global financial institutions in a countrycan lead to squelching the domestic competition.

Moreover, Uganda's banking Industry is still undergoing unprecedented changes, most of which are as a result of the deregulation of financial services, the strengthening of regulatory and supervision frameworks, as well as the developments in information technology. Several changes mentioned above could have had vast implications for competition and concentration in the banking and financial sectors. Therefore, the blend of perfections and irritated potential certainly warrants a fresh look at the Ugandan banking sector. One of the consequences has been mergers and buy outs which havedominated recent events and increased concentration.

Generally, although financial depth remains low, signs of recovery are definite and a lot more promising. There is low financial intermediation, which is playing a restricted role in the provision of funds for development finance on top of the dominance by commercial banks. To this end, straightforward indicators of financial developmentsuch as the broad-money/GDP and currency-deposit ratios, submit to the fact that the financial sector is still underdeveloped. For instance, Uganda's financial sector had total assets equivalent to approximately 35 percent of GDP in 2005 which is still very low. Additionally, the system is largely dominated by the commercial banking sector,

which accounts for a huge 80 percent of total sector assets. Other financial intermediaries aresaid to be limited in number, occupy a small in size and relatively ineffective by all standards. Consequently, very few financial instruments are available for savings mobilization, liquidity management and portfolio modification.

World Bank (2012) suggests that in direct comparison to the rest of the East African Community countries, Uganda and Tanzania have similar Liquid Liabilities to GDP, Bank Deposits to GDP and Private Credit to GDP levels. This leaves the two coutries way below Kenya and other countries in Sub-Saharan Africa. Therefore, on the basis of the above observations, Uganda is still placed in the low-income group.

Furthermore, the banking system correspondingly intermediates a reduced share of deposits into credit to the private sector, as vindicated by the poorer loan-deposit ratio than in comparator countries in the East African region. The Interest margins together with overhead costs are greater than in comparator countries, a situation signifyinginadequacies and shorfalls in the system. This, according to economic experts at the World Bank may, arises from its small size, higher operating costs, and low levels of competition (World Bank, 2012: 112).

The World Bank (2012: 114) defines a significant proportion of deposits as foreign exchange deposits that are typically held at international banks with a large part of these deposits not invested on shore but placed in the international money markets. Uganda’s banking sector is dominated by international banks holding in totality at least 88 percent of total sector assets as seen earlier in this chapter.

Methodically, Uganda has so far conducted three separate and solid demand-side surveys for measuring the level of financial inclusion in Uganda. The surveys were well conducted and spaced within an appropriate interval. They were carried out in 2006, 2009 and more recently in 2013 which substantiates the position of results. The results of the recent survey conducted in 2013 indicate a significant improvement in the access to financial services by adult population in Uganda. According to the survey

report, 85 percent of the adult population aged 16 years and above are financially included, which is a far greater improvement from 70 percent in 2009 and a miserable 38 percentin 2006. According to the report, the drastic improvements in financial inclusions between 2009 and 2013 were mainly driven by mobile money financial services which are far reaching, even in the remotest of the areas.

However, the percentage of banked population has stayed moderately within the organisation over the period of time. The figures range between 18-21 percent, while formal inclusion has been seen to be more widespread in the urban areas as opposed to the remote areas. However, the most interesting aspect is the differences in financial inclusion which seem to have beenlevelled by the 2013, with the percentage of both male and female who are financially included standing at 85 percent (BOU March 2014:5).

2.3.3 Financial access indicators

Financial service access indicators allow policy makers to assess the penetration of the financial system in the country and the segment of population served by each type of financial institution/service. The Alliance for Financial Inclusion (AFI) developed a set of basic core indicators that could be used by member countries as a first step in understanding the status of financial inclusion with respect to data and measurement (Table 2.2).

Table 2.2: Alliance for financial inclusion's (AFI) access indicators

Indicator	Definition
1. AccessPoints	Number of access points per 10,000 adults at atioal level and segmented by each type of administrative units
2. Coverageofaccesspoints	Percentage of administrative units withat least one access point
3. Proximity	Percentage of population living in administrative units with at least one access point

Source: AFI (2010)

The indicators in Table 2.2 measure access to financial products and services that can be compared internationally with other AFI members. The indicator is estimated on every 10,000 adults served by a given access point and is assumed to be better when the number is high.

Financial access indicators include all financial institutions providing financial services to the population. Commercial banks and other supervised financial institutions such ascredit institutions and MDIs play a leading role in the provision of financial services to Ugandans. However, there are also other financial institutions such as Savingsand Credit Cooperative Organisations (SACCOs), Mobile Network Operators (MNOs) and other micro finance institutions that provide financial services to a large majority of population in the country, particularly, in the rural areas.

Although financial access indicators should incorporate all financial institutions in this study the focus is on financial institutions supervised by Bank of Uganda (BOU) (2013). Table 2.3 presents the financial access indicators for Supervised Financial Institutions (SFI).

Table 2.3: Financial services access points

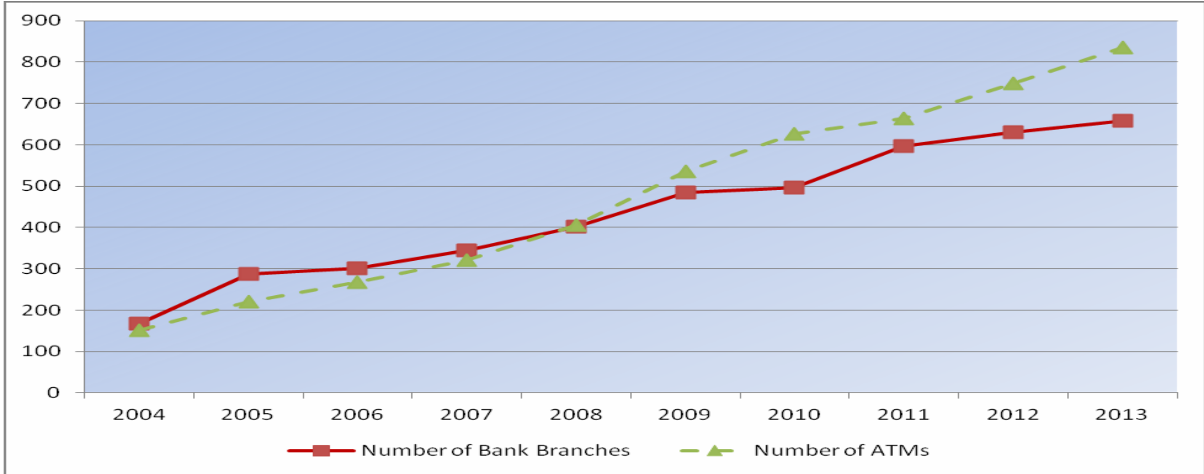
Year	No. of Access Points		Access Points per 10,000 adults		
	Branches	ATMs	Branches	ATMs	Total
2008	402	405	0.28	0.27	0.55
2009	485	536	0.31	0.34	0.65
2010	497	628	0.31	0.38	0.70
2011	597	663	0.35	0.39	0.74
2012	631	748	0.36	0.42	0.79
2013	658	835	0.36	0.46	0.82

Source: BOU (2013)

On a year-on-year basis, Uganda's banking system's overall physical network

continued to experience sustained expansion as shown in Figure 2.2. The total number of bank branches in the country increased from 167 branches in 2004 to 658 branches in 2013. The Automated Teller Machine (ATM) network also expanded and posted even faster growth. There was a substantial increase in the number of ATMs from 152 in 2004 to 835 in 2013 (Chart 1).

Figure 2.2: Number of bank branches and ATMs



Source: BOU (2013)

Despite the significant strides in expanding the number of access points by SFIs, its proportion to population is still low. In fact, both the number of branches for every 10,000 adults and the number of ATMs for every 10,000 adults are still below 1 access point at national level (Table 2.3).

In 2013, the density of bank branches stood at 5.9 banks per district which is an improvement from 4.5 banks per district, two years earlier. Despite this improvement, evidence of uneven distribution is still eminent across the country. In addition, access to bank branches remained concentrated in a few districts, particularly, in the Central region. Kampala, Ntungamo, Mukono, Mbarara, Lira and Wakiso have more than 2 access points per 10,000 adults while, 41 percent and 48 percent of districts out of the 112 districts in Uganda lack access to any bank branch and ATM, respectively. The bulk of the districts without access are those that were created in the last decade.

On a regional basis, the Central region leads in the number of districts with at least one formal access point while the northern region has the lowest number of access points.

The low number of access points in the northern region could be attributed to previous civil war experienced for over a decade in the region as the distribution of banks is determined by business decisions such as cost, profitability, political stability and business opportunities among others (BOU March 2014:13).

2.4 GLOBALIZATION OF THE BANKING BUSINESS

Globalization has established new dynamics (political and strategic risks) in many entrenched industries, such as automotive, communications, clothing, electronic, and even in the banking industry, as it has seen some of the greatest changes in its history.

As far as the banking industry is concerned, financial markets and institutions are fundamental to global economic development and growth. According to Miller and Modigliani in their study of 1953, in a perfect world described by an Arrow-Debreu economy, there is totally no role for the financial services sector and intermediation. According to the author, there is a complete set of state contingent claims, and transaction costs are absent. This makes the role of financial intermediation irrelevant in this perfect world. Furthermore reinforces the perfect economy world where

financing decisions of organisations, in this type of world, is irrelevant to the value of any firm.

Despite recent optimistic sentiments that growth in the Euro area is recovering, economic performance remains a concern for global financial stability. Growth for 2013 in the Euro area is still forecast to be negative despite the strong policy action that has led to a reduction in acute short-term stability risks. While price and liquidity conditions in sovereign, bank, and corporate debt markets have improved dramatically, growth is likely to be constrained by the ongoing fiscal adjustments, and high unemployment. The European Central Bank (ECB) has also pointed out the need for Euro banks to raise further capital.

2.4.1 Impact of the global economic crisis on the Uganda's Banking Industry

Any economy that is undergoing recession is likely to have high rates of unemployment, low spending power and low stakeholder confidence. On the otherhand, a booming or growing economy in a given country promotes employment, is charcterised by high spending power and high levels of stakeholder confidence (Doing Business in Uganda, 2011: 18). Whilist the global recession which began at the end of 2008 has had some effect on the Ugandan economy, regional trade together with a shallow financial sector has basically sheltered Uganda from most of the worst effects. However, this did not protect a lot of businesses as they still faced some challenges emanating from the crisis.

As noted ealier in the chapter, the overall growth rate fell to 5.8% in 2009/2010 and remittances, tourism revenues, and sales of key exports, including coffee, fish and flowers, also massively declined. There was further outcry as the private investments in

Uganda also declined slightly as a result of tight credit markets. However, revenue collection by the the national tax body (URA) rose to $2.1 billion in 2009/2010 from $1.8 billion in 2008/2009. However, this was still short of the URA's target of $2.23 billion for FY 2009/2010. While lower demand for Uganda's traditional exports could be offset by the significant depreciation of Uganda's currency against the U.S. dollar, this depreciation will also increase inflationary pressures at home (Peiris, 2005: 51).

2.4.2 Banking Businesses in the African Context

The IMF, in the WEO of April 2013, noted that growth in emerging and developing economies during 2012 was impacted by the sharp deceleration in demand from key advanced economies, domestic policy tightening, and the end of investment booms in some of the major emerging market economies. However, with improved consumer demand and exports reviving, most emerging economies in Asia and sub-Saharan Africa are forecast to witness higher growth as demand from some advanced economies begins to pick up. Growth in sub-Saharan Africa was projected to reach 5.5 percent and 6 percent in 2013 and 2014 respectively (GFSR, 2013).

2.4.3 Banking perspective in the East African context

As financial market conditions continued to improve during 2012/13, Treasury bill yields for all East African countries, with the exception of Rwanda and Tanzania, dropped during the period. The 91-day and 364-day Treasury bill rates for Uganda experienced a significant fall from 18.5 and 19.2 percent in June 2012 to 10 percent and 13 percent in June 2013 respectively. In the same period, Rwanda registered the highest Treasury bill rates for 91 days while Tanzania registered the highest rate for 364 days. While the fall in Uganda's treasury yields signals better financial sentiment for Ugandan banks, it may increase the risk of potential capital outflows by offshore yield-seeking investors. Ugandan banks, however, hold adequate funds to withstand any rapid outflows of short-term wholesale funds by offshore institutions. The comparison of the access to financial services of Uganda as its East African neighbours and members of the Alliance for financial inclusion is demonstrated below

in Table 2.4 below.

There are about 0.3 commercial bank branches serving every 10,000 adult Ugandan. This demographic indicator compares fairly with EAC peers although lower than Rwanda and Kenya but higher than Tanzania. In contrast, the average for Africa as at 2009 stood at 0.8 branches per 10,000 people. Furthermore, the EAC region countries have a lower branch network per 10,000 people compared to other AFI member countries such as Philippines, Malaysia and Mexico.

Table 2.4: Selected country's financial service access points

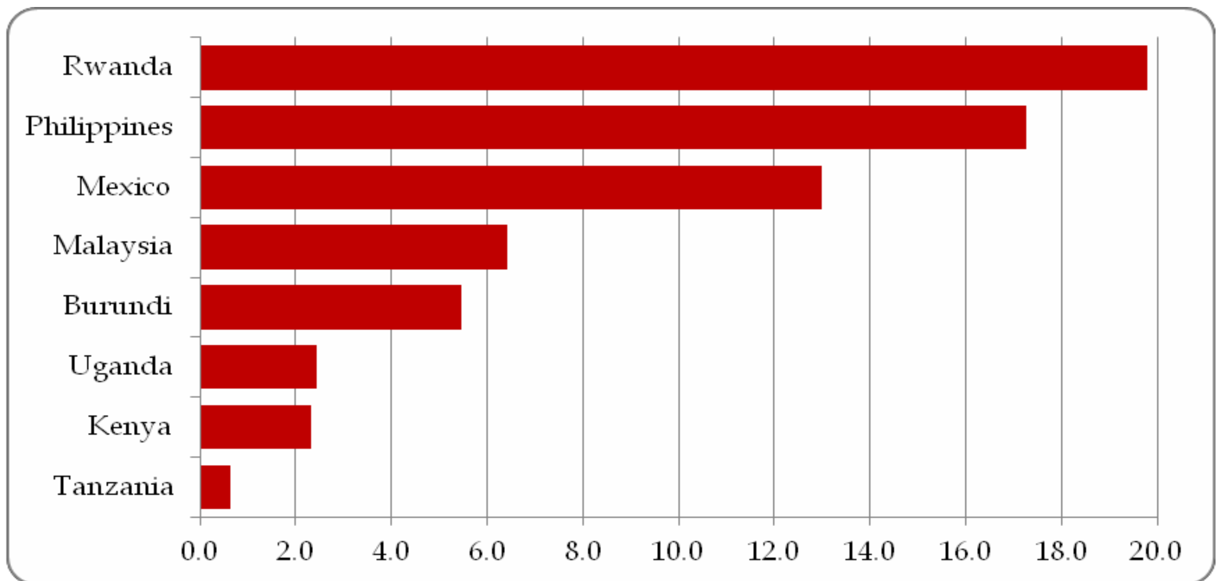
Country	Access Points per 10,000 adults	
	Branches/1	ATMs
Burundi	0.3	0.1
Kenya	0.6	1.0
Rwanda	0.8	0.5
Tanzania	0.2	1.5
Uganda	0.3	0.4
Malaysia	2.0	5.3
Philippines	0.8	1.9
Mexico	1.4	4.7

Source: Financial Access Survey (IFM) (2012)

a) Geographic indicators of the distribution of financial services based on distance

Geographic indicators are estimated on the basis of the number of access points for every 1,000 square kilometers. The higher the geographic penetration indicator is, the lower the distance, and therefore the ease of access to the infrastructure. The limitation with this, however, is that it assumes uniform distribution of financial institutions across the geographical area. Figure 2.3 shows a comparison with a select group of countries.

Figure 2.3: Comparison of selected country's commercial bank branches per 1000 square km



Source: IMF (2012)

2.5 THEORETICAL APPROACH TO COMPETITION IN THE BANKING SECTOR

Several studies have used either Bresnahan's or Panzar and Rosse's methodology into the question of competition in the financial sector with more practical applicability in the banking system. From a sample of US banks, Shaffer (1989: 79) revealed some results that strongly rejected collusive conduct, but at the same time are consistent with perfect competition per se. through the same model. According to Shaffe's (1989) research findings, there is a significant market power in five markets and excess capacity in just one market. Worth noting, is the fact that the estimates were constant with either contestability or cournot type oligopoly in most of the countries that participated in the survey. In 1982, Shaffer applied the PR model to a sample of New York banks using data from the 1979 study and found a monopolistic type of competition.

Furthermore, Nathan and Neave (1989) also conducted related studies on Canadian banks using the PR methodology and found results that were consistent with the results of Shaffer (1989). They employed the the Bresnahan methodology of rejection

of monopoly power. As a result, quite a number of schorlary articles and other academic papers have applied the PR methodology to European banking system as claimed by both Bikker and Groeneveld (2000) and DeBandt and Davis (2000). Generally speaking, these studies have rejected both perfect collusion and perfect competition. They have gone ahead to find, essentially, proof of monopolistic competition. Therefore, tests on the competitiveness of banking systems for developing countries and transition economies using these models are generally very few in numbers to date.

2.5.1 Base line theoretical model

Panzar and Rosse (1987) formulated simple models for oligopolistic, competitive and monopolistic markets in 1977 and 1987 and advanced a test that discriminates between these models. The model undertakes that organisations may enter or leave swiftly, any market without losing their capital. Those potential competitors possess the same cost functions as organisations that already serve in the market. The basic argument is that if the market is contestable, any possible threats of market entry with price-cutting by a potential competitor definitely imposes fringe cost pricing by incumbents so that in equilibrium, they don't earn surplus profits and no entry is observed to occur. This test of the model is based on certain properties of a reduced-form revenue equation at the organisationor bank level and uses a test statistic *H*. Overall, the test is derived from a general banking market model and this model purely determines equilibrium output and the equilibrium number of banks through the maximization of profits at both the bank level and the industry level.

The initial market model Panzar and Rosse (1987) studied described monopoly. This monopoly investigation incorporates cases of price-taking competitive organisations provided the prices they face are rightly exogenous. A practical negation of monopoly here institutes a dismissal of the supposition that the revenues of the banks in contention are autonomous of the decisions made by their actual or potential rivals. Panzar and Rosse (1987) further demonstrated that under monopoly, an upsurge in

input prices increases marginal costs, diminishes equilibrium output and consequently shrinks revenues. This is a generalized result, requiring little beyond the profit maximization hypothesis itself. Along similar lines, Vesala (1995) proves that the same result holds for monopolistic competition without the threat of entry, that is, with a fixed number of banks.

Table 2.5: Presentation of the discriminate or power of *H*

Values of H	Competitive environment
H<0	Monopoly equilibrium: each bank operates Independently as under monopoly profit maximization condition (H is a decreasing function of the perceived demand elasticity) or perfect cartel.
0<H<1	Monopolistic competition free entry equilibrium (H is an increasing function of the perceived demand elasticity),
H = 1	Perfect competition, Free entry equilibrium with full efficient capacity utilization.

Source: Vesala (1995)

In the Chamberlain equilibrium model above, a simple link between *H* and the number of banks between market behaviour and market structure is described. This model is based on free entry of banks and regulates the out put level and equilibrium number of banks. Vesala (1995) proves that *H* is an increasing function of the demand elasticity *e*, that is, the less market power is exercised on the part of banks, the higher *H* becomes. This implies that *H* is not used uniquely to discard certain types of market behaviour, but that its magnitude serves as a measure of competition. Just to single out one of the general assumptions underlying the Chamberlin an equilibrium model mentioned aboveis that the elasticity of perceived demand facing the individual firm, $e(x,n,w)$, is a non-decreasing function of the number of rival banks. Panzar and Rosse (1987) call this a standard assumption, extremelybelievable and almost a truism.

2.6 BANK CONCENTRATION AND COMPETITION IN UGANDA'S BANKING SECTOR

2.6.1 Bank concentration in Uganda

There is high concetration rate in Uganda's banking system. This assertion is not a surprise, given the small size of the local/domestic markets. On the other hand Mugume (2010:7) suggests that the concentration of the banking systems is not necessarily uncompetitive. Citing examples, in open systems, the author notes that the threat of entry can restrain incumbents from overcharging (Mugume, 2010:7). Nevertheless, concentration does often go hand in hand with market power, more so at a time when contestability is frail. Indeed, according to economic experts, the economic theory provides conflicting predictions around the correlation in the concentration and the competitiveness of the banking industry and banking system fragility. Some theoretical arguments and country comparisons including Uganda suggest that a less concentrated banking sector with many banks is more disposed to financial crises compared to a concentrated banking sector with a few banks (Allen & Gale, 2004: 33).

Firstly, any concentrated banking system boosts the market power and increases bank profits. To this end, high profits provide a ''buffer'' against hostile shocks and proliferate the license or franchise value of the bank. This plays a key role in reducing incentives for bank owners and managers to take on excessive risks and, as a result,reduces the probability of systemic banking distress (Hellman, Jones, Kaufmann & Schankerman, 2000:17; Matutes & Vives, 2000: 39).

Secondly, some illustrations hold that it is substantially much easier to monitor a few banks in a concentrated banking system compared to monitoring many banks in a lengthy banking system. On the basis of this standpoint, regulation and control of banks can be more effective and henceforth the risks of contagion and systemic crisis are less pronounced in anintense banking system.

2.6.2 The competitive nature of the banking sector in Uganda

According to Kulabako (2010:13), banks are the predominant financial institutions in most developing countries and in Uganda comprise over 80 percent of the financial system. The sector is characterized by dominance from foreign banks (Bategeka and

Okumu, 2010: 19). Out of the twenty five (25) banks, twenty four (24) are foreign and only one (1) is local. Foreign banks are from different countries and continents (Table 2.1). These banks have operations in different countries and this enables them to have different experiences.

Because of such experiences in different economies, there is a lot of competition especially against the local banks. It is believed that banks are the major machineries for the diffusion of monetary policy. Many scholars agree that banks play an important role in determining the supply of money in any given economy. They further form the spine of the payments system and therefore, any changes in the structure and performance of banks can have far-reaching repercussions for the entire economy.

The banking sector in Uganda is greatly concentrated (Kulabako, 2010: 17). Therefore, this suggest that the recent upsurge of buyout/merger activities in Uganda's banking industry is motivated by the prospective benefits from greater market power and also created by accumulating the concentration or market shares of the merging banks. The traditional structure-conduct-performance hypothesis asserts that this finding reflects the setting of prices that are less favourable to consumers (lower deposit rates, higher loan rates) in more concentrated markets as a result of competitive imperfections in these markets.

Competition in the financial sector matters for a number of reasons. Just like in other industries, the degree of competition is very important. The financial sector can also matter for the efficiency of the production of financial services, the quality of financial products and the degree of innovation within the sector. Evidently, there is experiential confirmation of the fact that the degree of competition in the financial sector is important so that organisations and households gain access to financial services and external financing. This in turn affects the general economic growth (Vives 2001: 111). While there is a lot of competition among the banks, most of them are in urban centres with majority operating in Kampala, leaving the rural areas under-banked (Bategeka &

Okumu, 2010: 21). Even then, there is increasing pressure from Microfinance Institutions (MFIs) and Micro Deposit Taking Institutions (MDIs). Because of the competition, there has been a recent industrial restructuring that has many banks merging and sometimes takeover and buyouts. For example, in order to internationalize their operations, the Development Finance Company of Uganda (DFCU Bank) sold 27.54% of its shares to Rabo bank in the Netherlands in 2013. This was expected to increase the bank's competitiveness and the ability to expand its portfolio in agricultural loans.

Although competition may not be favourable on the side of the commercial banks, it favours the market. Nichols (2008) argues that competition is central to the operation of markets, and fosters innovation, productivity and growth. Indeed, when you look at the Ugandan banking sector, a lot of innovations have been introduced in order to compete, impress and attract the market. These innovations include new products such as mobile banking which has mainly been powered by partnership with other service providers, especially telecom companies. For example, Crane bank, one of the oldest local banks, entered a partnership with MTN a telecom organisation to provide Automated Teller Machine cash outs. Their innovation was based on the argument that "Mobile phones are increasingly becoming the device of choice for millions of Ugandans when it comes to managing their money. Being able to access your Mobile Money through an ATM opens up a whole new portal of banking, effectively turning your mobile into an e-wallet with the convenience of being able to withdraw money 24X7 (Crane Bank, 2014).

Different banks have taken the competition mantel in different directions. Because of the competitive environment in the sector a number of products have been developed and the most acknowledged commercial banking services include retail banking, accounts and deposits ranging from family to children accounts, agricultural loans, e-banking, payments for utilities, salaries and other international transactions, international and local money transfers, treasury services foreign exchange, trade financing and salary loans.

In an attempt to attract more clients, some banks tend to use unfair strategies such as aggressive promotions and lack of transparency in some transactions. In reaction to this, the Bank of Uganda (the Central Bank of the Republic of Uganda responsible for monetary policy and maintaining price stability) initiated a consumer protection law. This law protects not only consumers of the banking services, but indirectly also protects the weak competitors. A case in point is Article 5 of the Consumer protection guidelines (2011) which states that “The relationship between a financial services provider and a consumer shall be guided by three key principles: Fairness; Reliability; and Transparency”. It is important to note that consumers are not only individuals but can also be other banks that may demand some services from the other banks. This implies that in the event that a syndicate desires to get a competitive advantage than other banks, this law protects the weaker banks.

When competition intensifies, market players devise means of survival (Balunywa, 2014: 113). The same has been reported in the commercial banking sector. In a regional perspective, Abishua (2010) reported that banks like Equity bank use strategies such a product offering diversification, branch and regional expansion, relationship marketing, financing, customer-care, innovation, and information technology strategies. The study found Equity Bank to be a very adaptive bank with a versatile reactionary mechanism to exploit any emerging gaps in the banking industry.

With the introduction of mobile money services, the commercial banking sector has suffered liquidity crisis and their lending capacity frustrated, dropping liquidity ratios below the Bank of Uganda’s threshold ratio of 20% representing a ratio of total liquid assets to total deposit liability (Kamukama & Tumwiine, 2012: 33). On the other hand, in a consumer’s perspective, the presence of mobile money services has pitched market outreach and forced some of the commercial banks to extend services to the formerly underrated geographical locations such as rural areas.

A healthy and vibrant economy requires a financial system that moves funds from people who save, to people who have productive investment opportunities. The financial sector in Uganda is dominated by 25 licensed commercial banks. Although there are a number of non-bank institutions, most of these are very small compared to the banks. The banking sector itself is segmented with interbank activity generally limited to the five large foreign-owned banks that collectively account for about 82 percent of the banking sector's assets (Hughes & Lonie, 2007: 70). There are 10 other banks, most of which are quite small, that collectively comprise about one-quarter of the banking sector's assets. Most banks are liquid as they perceive a lack of bankable projects. There is an intense competition for the top tier of customers, but borrowers without a long established track record are likely to have difficulty in accessing financing.

2.6.3 Defining competitive advantage of the banking industry

All industries, the world over, not excluding the banking industry have a primary structure or a set of fundamental economic and technical features which give rise to competitive forces. An organisationwillundoubtedlydestroy or erode its position within an industry because of the choices of its strategy. As for competitive strategy, it not only responds to a given environment but also tries to shape the environment in its favour. According to Porter (1985), the strategist must seek to position the organisationto survive best within its environment or influence that environment in the firm's favour. Between 1990 and 2010, Uganda's banking industry saw an unprecedented entry of over 17 banks, according to Bank of Uganda Banking Survey, (2013). Most notable among the new entrants are Ecobank Uganda, Limited, Stanbic Bank, Equity Bank, Standard Chartered Bank, United Bank for Africa and KCB Bank to mention a few. In total, currently there are 25 banks operating in Uganda. Competition is at the core of the success or failure of these banks, and the mashrooming of new banks onto the banking scene, means that Ugandan Commercial Banks no longer invest in short term government securities. Characterically, the Ugandan banking

industry has extreme competition, coupled with serious poaching and luring of talented personnel from one bank to the other. Furthermore, there has been the introduction of many innovative technology-driven products which are more customer friendly. Various products have been designed to suit different categories of customers. The banks use strong and persuasive marketing communication efforts to promote their products, much as the bank products offered by competitors do not differ.

New products and services are heavily stimulated by rival banks leaving no value addition and innovation. However, the only notable dissimilarity is the quality of service and the charges levied by various banks. According to Bank of Ugnada, the central bank of Uganda, all the banks are now licensed to carry out universal banking. They offer services such as loans and bank over drafts, export and import financing, corporate finance and also facilities for small and medium scale enterprises (SME's) within the country.

2.7 THE CHALLENGES OF THE BANKING SECTOR IN UGANDA

The challenges to banks operating in Uganda include challenges resulting from globalisation; an increasingly competitive business environment; devaluations of bank's shares; government intervention in banking operations; and technological advancements affecting the industry. In addition, Uganda banks face challenges such as external partnerships; competition for the large un-banked segment of the population; changing client behaviour; and questionable banking fees.The various challenges faced by Ugandan banks are discussed in the following sections.

2.7.1 Globalization

Deregulation and the ever increasing technological advancements in the business environment have led to increased competitiveness within banks. This according to

Moore and Siems (2003) necessitates merges and acquisitions in the industry. According to the authors, such developments have amplified the pressure on the banks to perform well in successfully battling with the possibility of a takeover by competitors, if they are to ensure the backing and loyalty from clients.

Uganda's banking Industry is undergoing unprecedented changes, caused by the deregulation of the global financial services and economic downturn. To arrest the situation, the banks have been called upon to strengthen regulatory and supervision frameworks, and development in information technology. Many of these changes have had enormous consequences on the competition and concentration in the banking and financial sectors. The blend of enhancements and unsatisfied prospectsmerits a new look at Ugandan banking sector. One of the main consequences has been mergers and buy outs which have improved concentration. This process of concentration may affect competition, in particular on local markets for retail banking services.

2.7.2 Increased Competition

Historically, a bank's primary role was to act as an intermediary between the client and the financial markets by using its own products and services. Through new electronic delivery channels, such as the Internet, and the deregulation of the financial services industry in many countries, it is now possible for new entrants to offer banking and other financial products and services directly to the final client. This increases bank's degree of industry competition and their focus on establishing a competitive advantage. It also raises the expectations of the banking market as a whole, with superior products and services being offered by competitors (Thomas 2006:89-90; Mishkin, 2004:242).

According to Karakostas, Kardaras and Papathanassiou (2005:855), financial institutions, including banks, face strong competition from existing players within their respective industries as well as from new competitive entrants from other business

sectors. Physical presence in new markets has become a very important factor for role players in the Ugandan banking industry. Strong new competitors, including Citi bank Uganda Ltd, Guaranty Trust Bank (U) Limited, Finance Trust Bank, Bank of India, Commercial Bank of Africa and NC Bank (U) Ltd, have made increased presence, raising the number to 25 licenced commercial banks in Uganda (BOU, 2013). Ugandan banks are faced with more foreign competitors entering the market with only one bank owned by the government of Uganda and the rest being foreign banks. Many organisations that are not traditional banking institutions, for example, The MDIs and other credit finance institutions, now offer banking services, and this poses a real threat to the major Ugandan banks. This lead to reduced market share and lower profits for established banks, which are challenged to decrease fees and ensure product and service support in order to successfully compete with other institutions (Glennon 2002:1). This makes it difficult for banks to plan their future activities, especially their large capital investments, if they are unsure about capital availability and the affordability thereof.

2.7.3 Government intervention

The regulatory requirements of the banking industry have been substantially transformed. The banking industry was previously only regulated through the Banks Act (1993). However, since the financial institution's Act 2002, there has been a changing regulatory legislation in the banking industry which has resulted in greater compliance with international standards. However, the adjustment poses a challenge for Ugandan banks to meet the international standards as set by their global competitors.

Whitfield (2006:12) also mentions that the increase in obligations, established by government regulations which the banks are obliged to adhere to, place an increased pressure on banks. In order to meet these obligations and as a result of their implementation, banks often have high capital outlays without guaranteed returns. Banks operating in Uganda revealed that the analysis and implementation of new

regulations in the banking industry is a major challenge for the industry participants (Metcalfe 2009:24). The most recent developments in the field of banking regulations forced all banks to possess complete and current information of all their clients.

2.7.4 Advances in technology

Few service industries have felt the impact of technology more than the banking industry. Until several years ago, most bank transactions were paper-based and took place face-to-face inside a bank branch between the bank employee and client. Technology has transformed banks with banking transactions and services through the use of ATMs, debit cards, credit cards, cell phone banking, and online banking through the Internet are new innovations in the Ugandan banking sector which have been introduced by a number of banks. This poses a major challenge requiring banks to ensure effective and efficient technological systems. In addition, banks are challenged to ensure client satisfaction and loyalty, despite the decreasing personal interaction with clients when they use technology to access banking services.There is a limited face-to-face contact between the bank and client is evident. This suggests that the current technological infrastructure of the Ugandan banks may hinder their growth or expansion opportunities.

Linking to technology is a security risks faced by banks when delivering, Internet banking services for example. The Metcalfe (2009:24) study also showed that the security risk posed by the Internet is a troubling technological challenge for the sudden introduction of South African banks to compare with Uganda is very awkward. This same challenge is also evident in the Ugandan Commercial bank sector.

In addition, the inability to prevent and quickly solve technological problems with banking systems poses challenges to Ugandan operating banks.

Technological system failures have been highlighted as an area causing high losses and added operational risks for banks operating in Uganda.

In spite of the advances in technology, the overuse of technology might also pose challenges to Ugandan banks. Although the provision of banking products and services through technology is a key component of the business models of the banks, the importance of the physical branch cannot be underestimated. Many banking clients might still prefer to use a bank branch when conducting their financial and banking matters. However, a shortage of bank branches in Uganda is evident. This shortage excludes the un-banked segment of the Ugandan population. There is approximately one bank branch for every 10,000 inhabitants in Uganda which is very high as compared to 3200 inhabitants per bank branch in South Africa (Okeahalam 2008:1133). The lack of availability of bank branches and financial services to the majority of the Ugandan population proves that the country's financial system is not developed to its optimal potential. The increase in bank branches will continue to play a major role in banks' products and service offerings.

2.7.5 The un-banked segment of the Ugandan population

The un-banked segment of the Ugandan population needs further attention from Ugandan banks. The percentage of the banked population in Uganda is between 18% – 21%and more prevalent in the urban areas as compared to rural areas (BOU March, 2013 report). This leaves the un-banked population to almost 79%. Banks recognize this as a key challenge.Ugandan banks are under pressure, firstly, to attract this group of potential clients, and secondly, to provide convenient and reasonable provide reasonably priced banking products and services to them. The Bank of Uganda report of March 2014 on the status of financial inclusion in Uganda indicates that 41% districts in Uganda lack access to any bank branch because the major concentration are placed in a few districts of the country, while 48% out of the 112 have no access points to ATM services as seen in Table 2.3. This un-banked section of the populace is unaware of the different advantages of banking and many cannot afford banking services. It is clearly evident that banks need to implement ways of increasing their market shares and clientele base by attracting this section of the population. This will

consequently enable banks to gain the needed transaction volumes and contribute to an improved standard of living in Uganda.

However, Ugandan banks have to overcome many challenges to attract this un-banked segment. Not all Ugandans have easy access to the technological banking service delivery methods, such as the ATMs, and this makes it difficult to attract new clients when they are unable to access the technologically advanced banking methods. Introna and Whittaker (2006:326) state that many people are unable to access the ATM networks of banks because of illiteracy. In addition, Introna and Whittaker (2006:326) show that some Ugandans cannot use ATMs because of the vast physical distance they have to travel in order to reach an ATM.

Another important aspect for banks, linked to the un-banked segment, is to ensure that banking clients can understand the fee structure of the bank. Banks need to simplify their fee structure and communicate it in an understandable language in order for banking clients to understand all aspects relating to the banking fees paid for banking products and services (Nyamakanga 2007).

2.7.6 The changing client behaviour

The changing client behaviour also constantly influences the banking industry in Uganda and globally. Meidan (1996:14) states that concerns such as growing urbanisation, additional female population in employment, increased home ownership and generally higher incomes have all contributed to changing client behaviour in respect to banking products and services. An increasing number of clients engage in financial planning and rely on banks to guide and manage all their financial product and service needs. According to the author, clients are more demanding, more financially educated, more price conscious and simultaneously using several banks.

This shift in power from the bank to the client has produced considerable amounts of pressure for these financial institutions (Mikdashi 2001:30).

The issue of increasing profit therefore remains a challenge for Ugandan banks. Banks are under continuous pressure to lower costs, to deliver customer value and to maximise shareholder returns because of the competitive nature of the banking industry and the importance of the survival of the banks which is based on their contribution tothe economy.

Banks also experience a marketing challenge with regard to changing client behaviour. According to Reed (2006:21-24), financial services industries worldwide have realised that a marketing problem exists, as the demand for financial products and services decreases. Reed (2006:21-24) emphasises that part of the marketing problem is the fact that financial institutions, including banks, have failed to maintain valuable client relationships. The challenge of building and maintaining long-term bank-client relationships is evident because of the changing demand for banking products and services.

It is evident that the major banks in Uganda are addressing the relationship between marketing and customer retention to some degree. This is done by attaching a certain segment of customers that have large volumes of deposits such as institutions to a relationship manager. However, despite the importance of relationship marketing, as identified in theory, it was empirically ascertained that approximately 50% of banks are not satisfied with the returns they receive on their large investments in relationship marketing through CRM initiatives (Payant 2004:7). This indicates some shortcomings in many banks' relationship marketing initiatives. This may be due to variables influencing relationship marketing that are not presently considered by banks.

2.7.7 Management of the Ugandan banking sector challenges

Overall, a number of failures and ineffective supervision had previously led to a significant loss of confidence, and low levels of intermediation. However, much has been achieved in recent years to remedy the deficiencies. These include:

- The privatization of Uganda Commercial Bank, one of the key stability risks that faced the system due to large non-performing assets and imprudent management;
- The cleanup of some weak banks from the banking system;
- The improvement in banking supervision with introduction of risk-based approach and the passing of the new Financial Institutions Act; and
- The presence of reputable banks that appear to be well capitalized, profitable, and resilient.

With a sufficiently strong capital base, profits, effective management, good corporate governance, and well-designed systems and controls, the system is well placed to provide a growing contribution to the development of the economy. The ultimate goal has been to enhance the development of an effective, efficient and competitive financial system.

Financial systems tend to evolve around a banking sector seeking to achieve economies of scale in order to offset the costs of collecting and processing information designed to reduce uncertainty thereby facilitating a more efficient allocation of financial resources. The importance of a strong banking sector to a country's economic growth and development is well established in the literature (Beck, Levine & Loayza, 2000:155; Beck, 2002:79). Efficient financial systems help countries to grow, partly by widening access to external finance and channelling resources to the sectors that need those most.

A well-developed financial system can also help an economy cope better with exogenous shocks, such as terms of trade volatility and move away from natural resource based development. In a well-functioning economy, banks tend to act as quality controllers for capital seeking successful projects, ensuring higher returns and accelerating output growth. However, a competitive banking system is required to

ensure that banks are effective forces for financial intermediation channelling savings into investment fostering higher economic growth (Mugume 2010:5). Governments regulate financial markets for two main reasons: to increase the information available to investors and to ensure the soundness of the financial system.

Uganda's banking Industry is undergoing unprecedented changes, caused by the deregulation of financial services, the strengthening of regulatory and supervision frameworks, and developments in information technology. Many of these changes could have had vast implications for competition and concentration in the banking and financial sectors. The combination of improvements and unfulfilled potential warrants a new look at Ugandan banking sector.

2.8 SUMMARY

Banks and the competitive business environment in which they operate in Uganda were discussed in this chapter. The first part of this chapter highlighted the nature of the business environment in terms of the micro, market and macro business environment and the various components or elements these environments were outlined. The next section discussed the historical and institutional context of the banking sector in Uganda as well as the current structure of Uganda's banking Sector. This was followed by the globalisation of the banking industry by highlighting aspects such as the impact of the global economic crisis on the Uganda's banking industry, the banking industry in the African context and a banking perspective within the East African context.

The next section focused on bank concentration and competition in Uganda's banking sector. The last part of this chapter highlighted the major challenges of the banking sector in Uganda such as globalisation, increased competition, government intervention, advances in technology, the un-banked segment of the Ugandan population and changing client behaviour. It can also be concluded from this chapter

that Ugandan banks face many challenges that influence the competitive banking environment.

The next Chapter provides a theoretical overview of the rules of business behaviour.

CHAPTER THREE

THEORETICAL OVERVIEW OF THE RULES OF BUSINESS BEHAVIOUR

3.1 INTRODUCTION

In Chapter two, the primary factors of the business environment in which the Banking Industry operates were highlighted. The review showed how the banking organisations focus on attracting, developing and retaining skilled employees in order to attain high performance, low employee turnover, competitive advantage and sustainability.

Accordingly, this chapter will define the rules of business behaviour in the competitive business, examine the nature and drivers of rules of business behaviour across the world and subsequent different models explaining the rules of business behaviour. The chapter begins with a brief review of business rule as a concept. It then discusses other relating concepts such as types of rules of business behaviour.

The field of Business rules has grown in importance and popularity in the last few years (Kovacic, 2004:159). This is because in the era of global competition and business maturity, boosting growth has become the most difficult challenge, especially, for the well-established companies with dominant positions in their core businesses (Govindarajan and Trimble, 2005:6). According to Weiden (2009:39), a business rule can be looked at from different perspective as a directive, which is intended to influence or guide business behaviourin support of business policy that is formulated in response to an opportunity or a threat.

Espedal (2006:41) suggests that business rules state what an organisation can do in detail, while a business strategy describes how to focus on a given business at a macro level to improve results. Additionally, strategies provide high-level direction of what an organisation must do, whilst business rules provide a more detailed guidance on how strategiesmay be well translated into actions. According to literature, business

rules must exist within an organisation whether they are written down or not and are rugulary talked about. To some organisations, they are even part of the organisation's consciousness. However, it is a fairly common practice for organisations to gather business rules. This may happen in one of two ways.

While in some instances business rules are believed to be the business of top management, Espedal (2011:43) argues that management should only take custody of the rules but involve every stakeholder in their implementation. In this way Espedal (2011:43) supports the idea of handling rules as discretion for easy implementation. Handling rules as discretion implies that organisationleadership can use them to commit itself in a way that is appropriate for implementation of a desired strategy. In some cases, business rules come from the side of owners, especially, in family owned businesses. In reference to the discretion principle, the involvement of management and other staff at all levels helps to circulate the rules and paint on them a desirable and pleasurable ideology which can be followed even by those without direct benefits.

It was acknowledged by Karami and Iijima (2010:34) that originally, the concept of business rules was used in the information systems field. However, business rules as a concept has gained a scholarly relevancy in other functional areas of strategic focus, notably, marketing and operations management and have since been taken as organisational policies for strategic competitiveness.Business rules help to turn policies into reality (Espedal, 2011:46). However, it is not clear what business rules are used in the commercial banking sector in Uganda and how these rules affect the banks' performance.

3.2 THE CONCEPT OF BUSINESS RULES

Ronald (2003:3) defines a business rule as "a directive intended to influence or guide business behaviour". This means that business rules shape the behaviour of a business and guide the behaviour of the business' employees. Therefore, business rules explain what is allowed and what is not allowed. On the other hand, Zachman

(1987) perceives a business rule as a statement that defines or constrains some aspect of the business. Furthermore, it is anticipated that it would support the business structure or control or influence the behaviour of the business.

Business rules can be viewed from two perspectives, first, as a directive to enhance organisational performance, secondly, as guidelines to shape business behaviour between customers and employees. The rationale of a business rule is to shape behaviour and provide the guideline for customers and employees. In modern times, the rate of innovation is very high. This has triggered various ways of succeeding in business for several companies. This is characterised by multi-portfolio operations, of-course the more the competition and innovation, the higher the risk of running the business

It is argued that all organisations have business rules and engage in some form of relationship whether through competition or cooperation with other companies (Bengtsson & Kock, 2000:112). Business rules shape the behaviour of a business and guide the behaviour of the business' stakeholders such as employees, managers, suppliers and customers. Therefore, business rules explain what is allowed and what is not allowed to be done.

3.3 IMPORTANCE OF BUSINESS RULES

Raynor and Ahmed (2013: 20) examined the three proven rules and how these rules can create exceptional organisations. They argue that there are three major rules, namely, better before cheaper, revenue before cost and there are no other rules.

3.3.1 Better before cheaper

Under the ‘better before cheaper’ rule, it is discussed that at the general level, price value is a function of how much people pay for something, and the less they pay, the more price value they get. On the contrary, non-price value is a function of all the other

dimensions of value that are not price such as robustness, functionality, superiority, and convenience, ease of use, style and brand. How much each price and non-price value an orgarnisation provides relative to its competitors defines its position in competitive space. It is how an organisation creates value for its customers. Therefore, companies make systematically diverse selections on this rule to gain a competitive position (Raynor and Ahmed (2013: 20).

3.3.2 Revenue before cost

On the ‘revenue before cost’, the authors stress that an organisation’s situation or position outlines how it creates value for clients relative to other companies. Consequently, an organisation’s profitability formula defines how it seizures value for itself compared to others. It turns out that just as there is a pattern in how exceptional companies create value, there is a pattern in how they seizure value instead of merely depending on costing as a competitive tool (Raynor and Ahmed, 2013: 20).

3.3.3 There is no other rule

The third rule being that there is no other rule suggests that the rest of the drivers of competitiveness may not hold strategic substance and or impact. In some instances, these extra rules may be industry specific and may vary depending on the environment. In their concluding remarks, Raynor and Ahmed, (2013: 235) emphasize that in order for an organisation to gain exceptional performance, the non-price value must be focused on repeatedly and continuously by balancing and managing higher prices and greater volumes irrespective of the industry. That is why companies need to learn how to design an organisation that can build a breakthrough while maintaining excellence in its existing one (Govindarajan & Trimble, 2005:67). In the end, business rules pronounce the operations, meanings and restrictions that apply to any organisation. These rules apply to people, processes, corporate behaviour as well as computing systems in a given organisation. These rules are put in place to benefit the organisation in accomplishing its goals (Simpson & Cacioppe, 2001:101).

If consistently applied, such rules, according to Simpson and Cacioppe (2001:394), can be used to help the organisation to achieve its set goals, eliminateimpediments to market growth, reduce costly mistakes, improve communication, conform with legal requirements, and proliferation of customer loyalty levels. Many of these rules are unrecorded (Simpson & Cacioppe, 2001:394) but must be followed as ground rules to help achieve excellent customer service.

In a competitive environment, business rules tell an organisation *what* it can do in detail but these rules must relate to the strategic position and direction of an organisation (Porter, 1985). The purpose of strategy is to guide the business to optimize results. Therefore, while a strategy provides high-level direction about what an organisation should do, business rules provide detailed guidance about how a strategy can be translated into action (Porter, 1985:453).

Roest (1997) tested the following popular 10 golden rules in relation to the balanced score card:

- there are no standard solutions: all businesses differ;
- top management support is essential;
- strategy is the starting point;
- determine a limited and balanced number of objectives and measures;
- no in-depth analyzes up front, but refine and learn by doing;
- take a bottom-up and top-down approach;
- it is not a systems issue, but systems are an issue;
- consider delivery systems at the start;
- consider the effect of performance indicators on behaviour; and
- not all measures can be quantified.

A critical perspective of the 10 rules indicates that each of the rules has a particular contribution of strategic choice and contributes to business performance differently. Raynor and Ahmed (2013: 235) conclude that the two first rules are quantifiable and

emphasize that organisations that excel go beyond the solid indications.Rule number 10 here appears to support the view.

The theoretical implication is that while the business rules are a fair way to guide performance, companies should be cautious when implementing them so as to avoid backfiring. Quite often, business rules are revealed and documented informally throughout the early stages of a project. In this way, the collection of the business rules becomes incidental. Business projects, such as the introduction of a new product or re-engineering of a complex process, can lead to the description of new business rules. This practice of incidental or emergent, business rule gathering is susceptible to the creation of inconsistent or at times, conflicting business rules in different organisational units, or within the same organisational unit over time. Such a variation creates difficulties that can be tough to discover and fix (Simpson & Cacioppe, 2001:392).

Therefore in the context of large but entrepreneurial companies such as commercial banks which have diverse client needs, the application of a balanced score card can help to focus on their own scorecards while maintaining common elements with the corporate scorecard in order to help measure the continuous improvement of those individual units towards the overall organisation performance (Roest, 1997:165).

Raynor and Ahmed, (2013: 255) posit that organisations that emphasize business rules have high return on assets, return on sales and total asset turn over. It is inferred in this perspective that since there are systematic decision criteria in the banking sector such as when there is a loan applicant there are decision rules, a wrong rule can ruin the bank’s portfolio.

While in some instances business rules are believed to be the business of top management, Espedal (2011: 87) argues that management should only take custody of the rules and involve every stakeholder in their implementation. In this way they favour the idea of treating rules as discretion for easy implementation. Treating rules as discretion implies that organisation leadership can use them to bind itself in a way that

is appropriate for implementation of a desired strategy. Furthermore, in some cases, some business rules come from the side of owners, especially, family owned businesses. In reference to the discretion principle, the involvement of management and other staff at all levels helps to circulate the rules and add on them a desirable and pleasurable ideology which can be followed even by those without direct benefits. It is acknowledged that originally, the concept of business rules was used in the information systems field (Kovacic, 2004: 60; Karami & Iijima, 2010:43). According to Leite and Leonardo (1998:66-67), from a strategic management perspective, business rules relate to business philosophies and values that guide companies in decision making and strategic implementation.

3.4 THE ROLE OF BUSINESS RULES IN THE ORGANISATION

Business rules are aspects that guide an organisation on what it is to be done in detail, while business strategiesstatehow an organisation should try to focus the business at a macro level to optimize results. On the one hand, strategies provide high-level direction about what an organisation should do. Business rules, on the other hand, provide detailed guidance on how a strategy can be translated into action.

Business experts have emphasized the issue of human factor in any organisational transformation exercise (Price, 2007:11). It is regarded as critical to craft such a value or culture within an organisation in which people will take part in the transformation. This is only possible by providing information on how people in the organisation do things and also accept and implement the transformations. It has further been emphasized that there is a need to question the rational behind any activity people do within the business process in order to recognizeand identify assumptions which are deemed invalid and should be re-engineered.

Business rules, whether written or unwritten, constitute the way that activity in the organisation should be conducted. Such rules tend to take the custom of policy, procedures responsibility levels, standards, and authorization and delegation

mechanisms. They are rules which, if reasonable, can lead to behavioural barriers and thus changing the people of any given organisation. These obstacles can be removed simply by identifying and explaining the rationale behind the rules. In the business environment, organisations are embedded in relationships with other actors for the sake of gaining easy and quick access to needed resources.

Nejdet (2010: 255) states that each firm's business rules define their strategies and actions. Further, Håkansson and Snehota (1990) argue that "no business is an island", demonstrating that organisations are deeply involved in long term relationships and that the atomistic organisation does not exist. The type of business rules of business behaviour applied by business organisations encourage them to raise by winning market share from their rivals or through crafting new markets. According to Karakaya and Yannopoulos (2011: 176), the occupants have to be prepared for attacks by existing organisations which are looking to expand of their business and new entrants. The incumbents are only passionate about defending their market share and reinforcing their position by making it more difficult for other companies to enter or for existing organisations to challenge them. Incumbent organisations may similarly attack in an effort to enter a new market, relocate themselves as well as try to improve their market position (Karakaya & Yannopoulos, 2011:176). Studies further reaveal that markets are dynamic grounds where organisations attempt to inflate their industries or reposition in other segments within the industry. Organisations engage in competitive battles and adopt offensive strategiesas theyendeavour to expand their position. Positive use of aggressive strategies helps organisations to improve their competitive position, increase market share, and increase profits (Karakaya & Yannopoulos, 2011:177).

3.5 TYPES OF BUSINESS RULES

3.5.1 A structural assertion

These are rules which define some aspects of the structure of a business. Included is a statement that something of significance to the business either exists as a concept of interest orexists inconnection with any other purpose of interest. Structural assertions are frequently portrayed by entity/relationship models that provide details of a specific, static aspect of the business expressing things that are known or how known things fit together Ronald (2003).

3.5.2 An action assertion

It is a statement of a constraint or condition that limits or controls the actions of the business. An action assertion is a statement that concerns some dynamic aspect of the business. It specifies constraints on the results thatactions can produce. The constraints are described non-procedural, in terms of the other atomic business rules. Sructural assertions define possibilities, actionassertions enforceconstraints, such as, 'must' or, 'should' or 'must not' or, 'should not' (Ronald 2003: 11).

3.5.3 A derivation

This has been defined as a statement of knowledge that is derived from other knowledge in the business. A base fact is anelement that isparticular in the world and is remembered or stored in the system. A derived fact is created by an interpretation or an accurate mathematical design from terms, facts, other derivations, or even action assertions (Ronald 2003:11).

3.6 RULES OF BUSINESS BEHAVIOUR

The behaviour of an organisation is the development of methodology where abstractions from policies and practices of the organisationare adopted and used. Maher and Anderson (1999: 20) suggest that the behaviour of the organisationis intended to assert the business structure or control or to influence the rule of a firm.

Rules of business behaviour are defined as actions taken by organisation to achieve goals, remove obstacles to market growth, reduce costly mistakes, improve communication, comply with legal requirements and increase customer loyalty. Some of these rules are unwritten but must be followed as ground rules to help achieve excellent customer service (Simpson & Cacioppe, 2001:394).

3.6.1 Nature and drivers of rules of business behaviour

'There is a positive and significant relationship between the intensity of market competition and the use of multi-dimensional performance measures (MPM) according to Khan and Khan (2010:341). According to the authors, it is quite hard for business owners to control factors that influence the behaviour of their business when they are away from the workplace, but they can control their behaviour while they are at work. They can set standards for individual employees among other behaviour of other resources and for how they act in groups. They also need ways to motivate their human resource to comply, so as to that they become less likely to deviate from their expectations.

Competitive pressures are key determinants of performance measures (PM) practices. Organisations facing intense competition need to satisfy the increased demands for quality and efficiency of customers. The deployment of multi-dimensional performance measures (MPM) stimulates continuous improvement in customer satisfaction,

flexibility, the productivity of resources and business process. Organisations facing higher competition are likely to use MPM to achieve competitive advantage. MPM provide reliable feedback on various dimensions of performance, which in turn allows organisations to deal with external competition. In the face of intense competition, Performance Measure systems (PMS) that link incentives to outcomes are useful to delineate the relationship between non-financial measures and future economic performance and to motivate workers to implement the strategies of organisations (Lee & Yang, 2011:97).

Likewise, in sectors such as banking, a high level of competition and the personalized nature of activities result in top managers perceiving a high level of profit uncertainty (Soin & Scheytt, 2008:233 cited by Khan 2010: 47). This phenomenon encourages the use of diverse and integrated sets of information for strategic and operational decisions. In Libya, the management of banks relies on customer information and other qualitative measures when faced with fierce competition (Fakhri, Menacere & Pegum, 2009:13). However, volatile economic conditions deter banks from using MPM, partly because a volatile economy encourages an intense focus on profitability and financial performance measures. Thus the higher the level of competition, the higher the level of the use of MPM.

3.6.2 Technological advancement as a conduit of rules of business behaviour

Technology, the force of influence on the rules of business behaviour, is the conduit that avails critical information to the top management in order to formulate, control and implement an organisation's strategy. It also allows organisations to collect and provide a broader set of accounting information tailored to their needs. Hyvonen (2007: 7) argue that technological innovation is the most important carrier of comprehensive Management Accounting (MA) information. Information technology (IT) enables businesses to effectively implement customer focused strategies (Gaffikin & Lodh 2003:96). IT allows users to link one activity with another activity and makes data

widely accessible to support the management of customer relationships, enterprise resource planning, electronic data interchange or internet applications.

Technological innovations, thus engender a rich source of information for Performance Measure Systems (PMS). To the banking sector, technological advancement and the use of technology result in a more extensive deployment of diverse performance measures (Kulasekaran & Shaffer 2002:599). In Bangladeshi, the banking sector uses electronic banking and mobile banking to help provide greater customer satisfaction and improve banking service (Riyadh et al., 2009: 212). Thus the higher the level of use of technological innovation, the higher the level of use of MPM.

With regards to coercive influences, the central bank, socio-economic and political institutions and international financial regulations as Institutional fields have powerful actors and agents that impose structural forms or practices on other organisational units (Scott, 2001: 25). Labeled as coercive influences in business, these influences are represented by the country's regulators and transnational institutions. A central bank and other agencies influence the design and use of MA practices through their guidelines and requirements.

The business behaviour has prescribed the collection and reporting of information on how businesses engage with the community, employees and customers. Hussain and Hoque (2002: 170) observe that transnational institutions such as the World Trade Organisation and regional blocs, the Association of South East Asian Nations put pressure on organisations to change their performance measurement practices so that they are compatible with global practices. Socio-cultural and political institutions are also forces that affect business' performance measurement systems. To improve sustainable business practices of Bangladeshi banks, for example, the International Financial Corporation partnered with the central bank and local financial institutions to increase investment in sustainable energy, lending and other projects (Dyball & Vacarcel, 1999:314).

3.6.3 Key forces to rules of business behaviour

In relation to Parry and Grooves' (1990: 118) argument, Teo et al., (2003: 21) noted that key competitors and the success of competitors as mimetic influences, can act as forces to rules of business behaviour. Institutional theorists state that mimicry is a successful institutional rule in a competitive environment. When sufficient organisations in an environment take the same action, other organisations will copy that action without a great deal of thought. Others think that the decision makers of the organisationassume that mimicry saves costs and avoids the risk which were borne by early adopters. However, copying the competitors' practices might be motivated by the business organisation's need to gain legitimacy in the environment and might be accelerated when the management believes that competitors are successful in adopting those management practices Thus, the higher the level of the use of Multi-dimensional Performance Measures (MPM) by key competitors, the higher the level of the use of MPM and the higher the level of success of key competitors in using MPM, the higher the level of use of MPM.

As Zimmerer (2012: 46) puts it, an organisation's mission statement may be the most important and simple communication that it has enhanced. If the people around the organisation does not know the organisation's mission, then, it means, it does not have one. The author further notes that the mission statement captures an organisation's character, its identity together with the scope of its operations. Acording to Zimmerer (2012: 46), writing the mission statement is only half the battle at best. The most challengingbit is living that mission every day. It is the only wayemployees decide what really matters (Zimmerer, 2012: 46). He further stresses that to be effective, a mission statement must develop into a natural part of the organisation, epitomized in the minds, customs, attitudes, and judgements of everybody in the organisation every day. A well-used mission statement obliges as a strategic compass for a small business.

The observation of the law and the legal system/enviroment in every country where we do business is a majorstandard for an organisation. Every employee should conform to the existing laws and regulations of the legal systems within which they are working as well as to practice organisational policies. To support this, (Blundell-Wignall & Atkinson, 2010:21) suggest that abuses of the law must be circumventedby all means. They note that irrespective of the prohibitions that could be imposed by law, it is mandatory for every employee to respect it and feel guilty of a violation. It should be noted and made clear to them that violation of the law will be subject to disciplinary consequences.

Additionally, Zimmerer (2012: 44) states that respecting individual dignity, confidentiality, and individual rights of every individual can act as forces to rules of business behaviour. According to Zimmerer (2012), they work together with individuals of numerous racial upbringing, values and beleifs, religions, years, disabilities, races, sexual identity and well as world views. Zimmerer, (2012: 44) further notes that consistent with our shared principles and with the exsisting occupation laws of numerous countries, there must be zero tolerance to discrimination against anyone on the basis of any of these characteristics or harassment or offensive behaviour either in terms of sexual or otherwise personal. These principles relate to equal inner teamwork and behaviour concerning outward partners. To a large extent, the status of an organisation is ascertained by a firm's actions and by the way each and every one present and conduct themselves. Therefore, Illegal or incorrect behaviour on the part of even a soleservant can lead to the organisation's considerable damage (Khan & Khan, 2010:341).

According to Novikova and Wilson (2013:543), managers ought to give their workers as much individual responsibility and freedom as possible but at the same time making it clear that compliance is required under all circumstances and at all times. The author further states that all senior executives have to be accessible in case employees wish to raise issues, concerns, ask questions or discuss a professional and personal

challenges. These tasksfor managers do not relieve workers of their realtime responsibilities. The organisational team must all work jointly to comply with relevant laws and policies. These detailed managerial responsibilities are listed to give employees an indication of the leadership and backing they should anticipate from their seniors. It is therefore aduty for all managers to see to it that there are no violations of such laws within their area of obligation (Zimmerer, 2012: 34).

3.7 TYPES OF RULES OF BUSINESS BEHAVIOUR

Competition induces organisations to persistently participate in transactions which are deemed offensive and defensive marketing business behaviours. As a result, resentment occurs because competitors either sense the pressure or realize an opportunity to enter an industry orto improve their position within any given industry. Often, competitive moves by an individual organisation have noticeable effects on its competitors and, therefore, may call for retaliation or efforts to counter the move (Porter, 1998). In response, companies react to competitor challenges by counterattacking with increasing advertising expenditures, cutting prices, increasing innovation, and introducing new products. They even attempt to accommodate the entrant by sitting back or reducing the level of marketing power (Karakaya and Yannopoulos, 2011).

Like any career, business practice requires a certain set of behaviour. This behaviour is critical in the success of any business and have got underlying principles that influence the choice of decisions made in both operational and strategic contexts. In determining a set of behaviours, managers need to consider that different sectors have different behavioural requirements either according to the regulations of the state or the nature of markets that they serve (Drucker, 2002: 117).

3.7.1 Confrontational behaviour

Confrontational behaviour is defined as marketing actions which organisations use when dealing with the challenges of competition. Muhlbacher *et al*. (2006:366) .These actions include frontal attack, flanking, market encirclement, bypassing and guerilla warfare. Organisations use these marketing actions when they deal with challenges of competition.

Confrontation seems to be the rule which indicates that management shall not be overlooked. However, market competition, in most cases, is not a zero-sum game. A organisationcannot only win what it takes away from its competitors. In many cases sophisticated definitions of target customers and benefits provided to them allow the creation of new product markets. Because such behaviour largely depends on a firm's potential for innovation and acquisition, the rules of business behaviour must also contain guidelines concerning product and process innovation as well as acquisition behaviour (Ackermann & Driscol 2013:11).

Ackermann and Driscol (2013:17) also notes that for an organisation to impart its intended meaning to stakeholders, it should depend on the experiences which stakeholders have at all kinds of touch points with the organisationand its representatives. Therefore, quality guidelines that govern the organisation's personal and impersonal external contacts need to be formulated. These quality guidelines include product quality standards as well as market communication standards. The quality of external contacts, to a great extent, depends on the ability of management to make their own staff adopt the intended identity of the organisationand become committed to its implementation. Coherent and strong leadership is necessary for this purpose. Managers need to be convincing role-models in playing themselves to the given rules of behaviour. They also have to be impassioned when they train their people in the central values of the organisation which they consistently turn into stakeholder experience. They will have to continually reinforce adequate staff behaviour, and manage change in a conscious manner.

Confrontation means that the rules of business behaviour must, first contain statements on when and how to seek confrontation versus cooperation with competitors, also with suppliers, intermediaries or any other important stakeholders. Porter (1998) suggests that an organisation with local, regional, and global competitors in its product markets may choose from among a variety of ways of confronting them including frontal attack, flanking, bypassing and encirclement. In global market competition an organisation may find itself losing the target market. This is not a zero sum game, instead the organisation can win against its competitor if it sets the confrontation strategies properly. This means that the organisation's rule of business behaviour must contain a statement that specifies when and how to seek confrontation with all outsiders such as suppliers, stakeholders, competitors and others. Muhlbacher *et al.* (2006:366) identified four confrontation behaviours, namely, frontal attack, flanking, market encirclement, and bypassing. These strategies become useful to marketing managers when dealing with the challenges of competition in a marketing environment. Some of the different confrontational behaviours are as shown below.

3.7.1.1 Frontal attack

Frontal attack is a hostile attack by a organisationon its competitors. In this strategy the organisation takes all its forces and places them directly opposite to the opponent. Muhlbacher *et al*. (2006:367) Frontal attacks work better when the attacker focusseshis/her resources on the rivals' centre of gravity or weakest point. The challenger just requires to focushis/her resources, even diverting resources from other activities, at the point of attackonce the center of gravity is identified. If the weak point is not established, then the attacker needs at least three times the resources of his/her rivals to have a superior chance of ending the battle. If the defending organisation is well rooted, then the attacking organisation needs even larger than three to one resources (Baum and Korn, 1996).

Karakaya and Yannopoulos (2011) emphasize that organisations which are deep-rooted in their home-grown markets are particularlytough to defeat because they take the high ground due to years of serving to their indigenoussocieties and having developed loyalties with their customers. For example, RCA, GE, Xerox, and Univac attempted to attach frontally IBM in its CPU business and they were unsuccessful because they did not have any competitive advantages or clear dominance over IBM. Also, the frontal attack has a better chance to succeed if the incumbent is constrained in its ability to react to the attack for fear of antitrust prosecution, or for fear that a low price may damage ithe image of this brand. An incumbent may be reluctant to reduce its price or increase advertising and promotion spending because of certain return on investment or profit expectations by shareholders or stock market analysts. Besides, executives are generallyunwilling to strike back if they operate at full capacity. As indicated earlier, launching a rontal attack brings many risks and is unsuitable for many organisations. The most salient hazard in this is that, incase the attacking organisation lacks plainly superior resources, this will call for a rigorous retaliation from those that are exposedand this could end in extensive losses for the attacking organisation and the entire industry as a whole.

a) Limited frontal attack

Limited frontal attack is one of the frontal attack types in literature. According to sources of literature, limited frontal attack concentrates on customers and attempts to entice them away from opponents (Kotler, 1985). One example of such a limited frontal attack may arise when a new product is brought onto the market such as a new type of paint. According to Kotler, (1985), this paint organisation would track a particular number of their competitor's clients and take them in on a whole number of product dimensions concurrently.

Kotler, Armstrong, Brown and Adam (1998) further state that when an organisation employs a limited frontal attack it needs to pay more attention to the target customer so that they can convince them of the superior benefits of the product. For instance, when

the Sasung for introduced their mobile phone handset, they used the limited frontal attack which targeted the middle class consumer and it had all the needed attributes. This was a contention against the Nokia and Sony.

b) Price-based frontal attack

Muhlbacher *et al.* (2006) referred to the frontal attack that focuses on the limited price and value as a cost-and quality based frontal attack to be Price-based frontal attack. Chinese and Korean organisations, for example, use this strategy, in a global market where quality, price, and low cost are the main focus to participate in competition with profitable benefits. Samsung and Life Good (LG) for instance, have launched the frontal attack with their home appliance products. Their products are of high quality and lower prices compared to other products from different producers such as Sony, Hitachi and others.

Kotler (1985) points out that in priced based frontal attack, the aggressor focuses mainly on the price of a product to gain more customers. Every characteristic of a product is matched; however, the competition beats his competitor on price.

Muhlbacher *et al.* (2006) further state that Samsung organisation introduced Samsung Galaxy to compete with Ipad from Apple Companies. The products essentials are the same despite the fact that the Galaxy was more developed by Android technology. The prices of Galaxy were relatively cheaper than those of the Ipad.

c) Value-based frontal attack

Muhlbacher *et al.* (2006) suggest that value-based frontal attack is another type of frontal attack, which relies on product or service differentiation through distinctiveness other than price. Since the global organisationengaged in research and development of their product, it is easy for them to attain competitive advantages, thus creating

differences which determine the organisation’s distinctive capabilities. LG and Samsung, for example, constantly improve their products. Therefore, a value-based frontal attack can succeed only when customers and intermediaries in the distribution system perceive the firm’s product as more attractive than the competitors’ offerings.

d) Pure frontal attack

Kotler (1985) suggests that the frontal attack strategy also involves matching a competitor’s product in all areas of marketing. This means that the price of the product, promotional tools, and other attributes of the product are matched versus other competitor’s marketing mix elements. Basically, the pure frontal attack is taking a "look alike" or "me too” strategy. When using the pure frontal attack, companies should be prepared to spend large sums of money.

3.7.1.2 Flanking behaviour

Flanking strategy is the second type of offensive strategy under confrontational behaviour.Flanking attack is an offensive marketing approach used to exploit the opponent’s faults and evading the risks associated with other offensive marketing strategies such as frontal attacks in the process. Flanking attacks are grounded on the norm of the path of least opposition, attacking competitors in areas which they are least proficient in defending. According to Kotler, (1981), this offensive strategy is usually used by an organisation which does not ensure commanding supremacy, but may have an advantage in one particular area. Kotler, (1981) cites Xerox which in mid 1970's owned 88% of the plain-paper copier market. However, nearly 10 years down the road, a Japanese based Canon Copier took over half of Xerox's market (Kotler 1981) by using the flanking strategy. Canon concentrated on the small size copier market that found Xerox's larger copiers expensive. The success of this attack was perhaps due to the attacker's strength against the defender’s weakness (Kotler 1981:103).

Major competitors hold a strong position in the primary segment and when no existing brand fully satisfies the needs of customers, a flank attack can be used. A flanking attack is an offensive marketing strategy that utilizes the competitors' weaknesses. Yannopoulous (2011) maintains that flanking attacks are based on the principle of the path of least resistance, attacking competitors in areas which they are least capable of defending. Furthermore, a global organisationmay be able to capture a significant share of market size by concentrating primarily on one large untapped segment.

According to Muhlbacher *et al.* (2006:117), this usually can be done through developing product features or a service tailored to the needs and preferences of the target customers together with the appropriate promotional and pricing policy to build quickly the selected demand. The Chinese mobile phone maker HUAWEI, for instance, penetrated the global market by focusing on a low-price best quality segment. Furthermore, Spulber (1998: 322) suggests that a global organisation that employs flanking attack must work hard to dodge recognition by reputable competitors to elude revenge on top of trying to perform as a specialist interested only in its niche and not in its competitors' markets. Additionally, the organisation should offer an impression that it is in a diverse line of business. Consequently, the more different the entrant's product is, the better the chance of not dodging notice. According to Spulber (1998:323), effective flanking attackers discern their products in a manner that appears to be in a different category in order to avoid straight conflict with proven competitors. Kotler, (1985) suggests two types of flanking strategies:

a) Geographic flanking

This arises when an organisation attacks different areas within the world or country where competitors do not exist or are not very strong (Kotler, 1985). Most notably is the Coca-Cola Company which uses this type of marketing strategy. At one point, Anna Whaley, Director of worldwide marketing and sales was interviewed and she said a majority of Coca-Cola's profits come from the international areas where competition is not as fierce.

Yannopoulous (2011:6) states that flanking attacks are based on the principle of the path of least resistance, attacking competitors in areas which they are least capable of defending. Furthermore, a global organisationmay be able to capture a significant share of market size by concentrating primarily on one large untapped segment.

b) Segmented flanking

This is a type of flanking that requires identifying market areas or needs that are not served by competitors within a given geographic range. Segmented flanking can be hypothetically more powerful than geographical flanking attacks mainly because they gratify the market needs which the competitor will have ignored. According to Yannopoulos, (2011:7), this type of flanking has been used by the Japanese when they enter the United States market base. They are believed to havetaken products that were diverse and directed them at abandoned market segments. These products were minor or stripped down versions of established products, and they had more features for the same or lesser charge. The general indication of flanking strategy is to convey a bigger coverage of a market's varied needs (Yannopoulos, 2011:7)

Furthermore, a global organisation may be able to capture a significant share of market size by concentrating primarily on one large untapped segment. According to Muhlbacher *et al.* (2006), this can usually be done through developing product features or a service tailored to the needs and preferences of the target customers together with the appropriate promotional and pricing policy to build the selected demand quickly. The Chinese mobile phone maker HUAWEI, for instance, penetrated the global market by focusing on a low-price but to the best quality segment (Yannopoulos, 2011:8).

In addition, Spulber (1998:323) suggests that in using a flanking attack, a global organisation should avoid being detected by established competitors in order to escape retaliation. Furthermore, the global organisation should avoid to appear as a specialist interested only in its niche and not in its competitors' markets. It should also give the

impression that it is in a different line of business. Therefore, the more diverse the entrant’s products are, the healthier the chance eluding detection. Besides, proven flanking attackers discriminate their products in a way that appears to be in a different category as a way of beating direct confrontation from established competitors.

3.7.1.3 Encirclement behaviour

This is an alternativeform of confrontational behaviour which is aggressive. When using encirclement behaviour, an organisation must have control in all areas. Encirclement assaults the competitor from every angle concurrently. A percentage of 10 to 1 is required to employ this kind of strategy (Yoffie & Kwak, 2001:58).

The straight forward notion of encirclement is used to forcefully make the competitorshield their product from all borders. For instance, Smirnoff Vodka used encirclement strategy when an extra merchandise tried to introduce and position itself directly against Smirnoff although at a lesser price. To counterattack, Smirnoff reacted by first raising its prices, which its quality image was well-kept. Having raised their prices, they announced another brand, marketed it at the same price as the competition, and introduced another brand at a lower price (Yoffie & Kwak, 2001:59).

a) Product encirclement

Product encirclement introduces products with severaldiverse qualities, styles, and features that beatany competition's product line. As ealier noted in this chapter, a good number of Japanese organisations have encircled U.S. products such as televisions, radios, hand-held calculators, watches, and stereo equipment.

In Uganda, for example, in the soft drinks industry, the main players are Pepsi Cola and Coca Cola, but, a new brand came on the market of soft drinks with the name of Riham Cola, giving the customer a number of varieties of flavours such as Apple Soda, Malt, Cola, Strawberry and Mango. This was an encirclement attack at all angles for

Coca-Cola and Pepsi Cola. According to Kotler (1981) there exist two types of encirclement strategies, namely, product encirclement and market encirclement. Product encirclement announces products with many different qualities, styles, and features that overwhelm the competition's product line. In a Ugandan setting, Harris International with the brand name Riham serves as a good sample in the soft drink line. The market encirclement strategy even goes beyond the end user, and focuses on the distribution channels. However, there are some risks to be aware of when employing the encirclement strategy. Having substantial resources and organisational commitment are factors needed before using the encirclement strategy. Because it is necessary to have these two requirements, winning a battle through encirclement takes a great deal of time (Dudik, 2000:10).

b) Market encirclement

The encirclement strategy involves the organisationaimingat several minorunexploited or immaturefragments in the market simultaneously (Walker, Boyd, Mullins & Larreche 2003:234). According to Walker *et al.* (2003), market encirclement drivespast the end user, and concentrates on the distribution networks as conduits (Kotler, 1985:176). Seiko is one good example of market encirclement. Through gaining eachaccessible distribution channel for their watches, the organisationtook over as much shelf space as possible (Kotler, 1985:176). However, there are some risks to be aware of whileusing the encirclement strategy. Having the substantial resources and organisational commitment are two factors needed before using encirclement strategy because it is necessary to have these two requirements winning a battle through encirclement takes a great deal of time.

The encirclement strategy involves the organisationtargeting several smaller untapped or undeveloped segments in the market simultaneously (Walker, *et al.* 2003:234). Furthermore, the purpose of this behaviour is to surround the main competitive brand with a variety of offerings aimed at several peripheral segments. This strategy makes most sense when the market is fragmented into many different applications, segments

or geographical regions with somewhat unique needs or tastes. In addition, a organisationshould strive for superiority in all areas. Encirclement attacks the competitor from all sides simultaneously.

3.7.1.4 Bypassing behaviour

The fourth type of offensive strategy involves the bypass. Bypassing is a marketing strategy in which an organisation bypasses other orgarnisations throughcoming up with new products, spreads into unrelated products, and expanding into new geographical markets for existing products Muhlbacher *et al.* (2006: 369). A bypass attack gains the battle through attacking areas which are not defended. For example, when Colgate-Palmolive tried to enter the non-woven textiles and health care business, it did not have to fight Procter and Gamble's strengths because they used the bypass strategy (Kotler, 1981).

According to Muhlbacher *et al.* (2006:112) there are basically three types of bypass strategy, namely, develop new products, diversify into unrelated products, and expand into new geographical markets for existing products. The different types of bypassing include the following:

a) Developing new products

Developing new products is a fairly easily understood bypass method. Rather than copying the leader, the competitor creates entirely new products thus gaining a larger market share of untapped customers (Kotler, 1985).

Organisations have to develop new products or services to become more attractive and competitive to consumers in order to retain and increase market shares (Porter, 1998). For the existing long-serving companies, in order to keep their customers' loyalty as well as expand their markets, big improvements are needed in their existing products and services. Exceptional features can help companies leave a profound

impression in customers' minds. The ability to identify certain products amongst other relative commodities is a vital strategy in maintaining customers. Outsized companies can therefore devote money to exploit new production technology as a way of keeping their overriding leaderships in their fields.

If minor organisations which employ bypassing are to survive under keen competition, they have to make their offerings unique so that they can entice more prospective clients. Since small companies or newly established companies generally lack capital, they may not elude competing with bigger companies with inadequate investment money. As a result, they must work out something extraordinary for their customers. Until consumers have a decent understanding of those products or services offered by small companies, they will remember the brand and become regular customers of those new emerging companies instead of previous large companies (Sun, 2011:97).

b) Diversifying into unrelated products

Diversifying into unconnected products is another type of bypass strategy. Here, the organisationwill venture out into product lines that are different from their one single product instead of remaining in a single-industry business. Reputable companies like Sony have employed this bypass strategy. This has been through entering the restaurant and construction businesses (Kotler, 1985). The major reason companies use the bypass strategy is the hugevolume of congestion in the competitive arena (Kotler, 1985). For instance, if an organisation produces a new product, the organisationessentially moves the new product to a new level within the same product market area (Kotler, 1985). Moving into digital and electronic watches may bypass the mechanical watch market; though the organisation is still struggling for a position in the watch industry (Kotler, 1985). Equally, movement into acompletely new geographical market usually tolerates an organisation to bypass competitors completely.

3.7.1.5 Guerrilla warfare strategy

This is a marketing strategy where an organisation uses surprise and/or unconventional interactions in order to promote a product or service. Abbasi, *et al.*, (2009:35) describes guerrilla warfare as an emerging field which encompasses many specific techniques a marketer can use to promote their business untraditionally, creatively, and inexpensively.

Guerrilla warfare is an advertising strategy that concentrates on low-cost unusual marketing devices that yield extremeoutcomes. The original term was coined by Levinson (1984). The term guerrilla warfare was stirred by guerrilla war-fare which is a method of irregular warfare and relates to the small tactic strategies that armed civilians use. These maneuvers include: traps, sabotage, raids and components of surprise. Just as guerrilla warfare, guerrilla marketing uses the same sort of tactics in the marketing business (Nathwani & Bhayani, 2013:438). This alternative advertising style depends greatly on eccentric marketing strategy, high energy and imagination. Guerrilla marketing is about taking the consumer by surprise, making an ineradicable impression as well as creatingnumerousquantities of social calls.The Guerrilla marketing strategy is habitually perfect for lesser businesses needing to reach a huge customer base without breaking the bank. It is also used by big companies in grassroots campaigns to applaud on-going mass media campaigns. Individuals also have embraced this marketing flair as a technique to bargain for a job or more work.

Such unpredicted and strange guerrilla marketing battles help smaller companies to effectivelystretch to their objected groups, even if their bigger market competitors had a large marketing budget, more understanding, and a better spread to advance a market by using traditional strategies (Drüing & Fahrenholz, 2008:19). Drüing and Fahrenholz (2008:19), further suggests that several small and medium-sized enterprises begin with Guerrilla marketing and launch their businesses productively. With the persistent growth rates, organisations devise ways to afford traditional marketing tools to advance more and more market share, and remain attacking the market leaders.

a) Rules of Guerilla warfare

Baltes and Leibing (2008:46) once state that there are seven tactical rules of warfare, which demonstrate the principles on which guerrilla marketing depends on. The *first* psychological rule is that guerrilla marketing is focusing the organisation resources to reachshort-termdominance (Baltes & Leibing, 2008:46). This means that an organisation ought tofocus on doing, one hugemarketing (promotion)drive at the right location, which should be eye- catching and be able to create hugeresponses, rather than undertaking numerous trivial marketing events.

The other calculated rule is to sell the belief along with the product, and not the product only (Baltes & Leibing, 2008:48). To sell the product along with the belief is imperativesince guerrilla marketing does not try to take over the consumers' attention just for the specific product. Its main goal is to make the consumer turn out to be a part of the brand, not the brand becoming a part of the consumer.

The *third* tactical rule is to identify established patterns, analyze them and overcome these patterns (Baltes & Leibing, 2008:47). Every guerrilla marketing activity should be exceptional and not follow any pattern. Exceptional in this situation, means that an organisation should not use the same marketing flair to promote two diverse products. An example of Nestlé is highlighted here. This organisation built a bench which looked like the Kit Kat chocolate that they sell on the market.This idea made Nestlé's promotion unique. But if for instance Marabou makes a new bench looking like Marabou chocolate, it will not have the same surprising effect, as the promotion would not be unique.

The *fourth* tactical rule is that guerrilla marketing should hunt for (Synergies) collaborations.Collaborations mean partnerships between two or more powers that, together, build a robust impact. This is what guerrilla marketing is striving for, to build a strong influence and influence consumers.

The *fifth* rule is to attempt to out maneuver any sensitivity filters established in the target group (Baltes & Leibing, 2008:47). This means that the organisation must dare the consumers' prejudiced views by a surprising marketing activity and demonstrate to them what the organisation stands for.

The *sixth* rule is that you should never go the direct way, instead try to find divergent options. The consumer will become more fascinated by the product if the organisation chooses to take the unpredicted path, which sets it apart from all the other marketing messages that the message receivers are visible every day.

The *seventh and final* tactical rule is that while using guerrilla marketing, an organisation should be flexible and swift instead of building monopolies (Baltes & Leibing, 2008:48). Flexibility opens many doors to triumph and the market is perceived in a different way. This will make the consumer pay attention to particular marketing activity.

An instance of guerilla warfare happened when IBM secured a lawsuit against Hitachi because Hitachi stole IBM software. Because IBM won this trivial battle, Japanese computer manufacturers had to become defensive by investing large sums of money into rare software research and development personnel who had to re-write old programmes and advance new programmes without having tointerfere with IBM's intellectual property rights. This type of guerilla warfare is said to have heavily set Japanese computer makers back many years (Ay, Aytekin & Nardali, 2010:280).

Guerilla strategy is regularlyexecuted by companies which are reduced in market position and resource base than the organisationthey attack. This approach has usually been used by the Japanese on U.S. (Baltes & Leibing, 2008:47).

b) Summary of the Guerrilla warfare Principles

Find a Segment Small Enough to Defend: Try to pick a segment small enough so that you can become the leader. ABC Transport is a true guerrilla. They concentrate on a small market segment and are its leader. Small is beautiful.

Psychological warfare: A guerrilla can take advantage of its smallness to make quick decisions. This can be a precious asset when competing with the big companies.

Flexibility and restlessness: Do not hesitate to abandon a position or a product if the battle turns against you. A guerrilla does not have the resources to waste on a lost cause. It should be quick to give up and move on in the small organisation, one person's hunch can be enough to launch a new product.

It has to be excitement and humour Make your customers remember you with smiling faces, that they will always desire to buy from you.

Of what happens in guerrilla marketing, Gallagher (2004:54) explains an explicit difference as, "what matters in guerrilla marketing is, rather than what the organisationdoes to be successful; it is what it does to differentiate itself from its rivals and its success in reaching broader potential customers".

Levinson (1983) is not only the proponent of the essential marketing idea, but also is passionate about the philosophy of small business owners who wanted to follow the Guerrilla marketing idea. Levinson (1983) introduced new ways of advertising and presenting a business well with small budget.and based the success of marketing strategy on the use of non-traditional marketing channels, customer proximity, insistence and patience. Furthermore, an organisation should create as many points of contact with customers and prospects as possible in order to stay in their memory. Ries and Trout (1997) believed that Guerrilla marketing is best suited for small and medium-size enterprises.

Ries and Trout (1981) pointed out that the market size also has to be manageable with the limited and available resources. Therefore, they suggest specializing and investing in niche product and/or market niche. Their view is that small and medium enterprises should adopt niche approach which will allow flexibility and change, surprise and diffusion at low cost. Kotler (1990) suggests that Guerrilla marketing should be adopted by market challengers that try to increase their own profitability by gaining more market share from other enterprises in the same industry. A competitive advantage over the challenged organisation is the foundation for a good strategy which involves high risks, especially when the potential gain is high.

Kotler, *et al.* (2005: 372), argue that many smaller financially weaker companies are now using an aggressive guerrilla attack. Such a campaign can even be a tool to fight the current market leader. Unlike Levinson (1998) study, many advancing studies and scholars believe that the main purpose of guerrilla marketing is to destabilize the opponent or best to destroy the competitors with the help of attrition tactics. The guerrilla marketing philosophers understand the principles of guerrilla marketing which are relevant for this study. Guerrilla marketing is not a battle or physical combat per se, but a psychological battle that is fought and won in the minds of customers and consumers, partners and competitors through the segmentation of the population that is served, the targeting strategies adopted that result in the positioning of the firm's products and services in the mind of the customers and consumers for patronage.

Fahrenholz, (2008:17) established, in thestudy result, that financially robust companies use guerrilla marketing as a paired tool to present the brand in a multi-modal approach. Smaller organisations can make use of the cost-effective strategy to get the focus on their brand. Good co-operation with, for example, public relations department is crucial to the increase of guerrilla marketing effect. The researcher has resolved that guerrilla marketing would merge with the customers by finding ways of surprising and interesting them by putting the impression in the lead, not the brand. In support of this, Wensen (2008) stresses that one may win the battle for the consumers' attention by being shrewder and more artistic than the opponent, for example, instead of spending

more money on TV commercials than his competitors do. This appreciation of guerrilla marketing is an extensive one and an unforeseen brand program through alternative media. According to Wensen (2008), guerrilla marketing includes, viral marketing, surprise marketing, buzz marketing and also events. However, guerrilla marketing is far more than what is in the definition. It is a mindset as well, mainly because the thinking is outside the box and the search for the solutions of communication problems is much bigger than that of the television advertisements. Old-fashioned advertising on TV, radio, print and even traditional outdoor advertising is not suited for guerrilla marketing.

c) Need for guerilla warfare marketing strategy

Producing an exceptional, appealing and thought-provoking conception to breeda buzz that would turn viral, is the key objective of guerrilla marketing. This kind of marketing comprises unusual tactics such as diverse encounters in public places, street giveaways of products, public relations stunts, or any unconventional marketing intended to get maximum results from minimal resources. Severalnewflairs to Guerrilla warfare marketing now apply mobile digital technologies to engage consumers and create a striking brand experience (Nathwani & Bhayani, 2013:439). Guerrilla marketing has been recognized in action to work for small businesses around the world. It works because it is easy to recognize, easy to implement and reasonable in terms of costs. The need for guerrilla marketing can be seen in the light of three facts.

The goal of guerilla warfare is to increase customer responsiveness and interest in the product and its associated brand. The acceptability of a guerilla warfare advertisement is related to its ends other than its means. Although there are successful examples of guerilla marketing strategies, some of guerilla advertising implementations that are prepared and executed without certain boundaries may lead to ethical problems. These include fear-appeal, irritate the prospects and distract attention, may be challengingand petty in ethical terms. Public hatred of an attack may reduce the short-term and particularly, the long term effectiveness of that advertisement (Amaobi, 2014:177).

3.7.2 Cooperation behaviour

An organisationcan behave in a friendly way by adopting the strategies of cooperation behaviour. Muhlbacher *et al.* (2006:117) reported that there is a range of approaches that can be used, namely, defining 'new' product markets, changing the "rules of the game" and entering strategic partnerships. For example, an organisation creates a "new" product market, that is, by defining target customers and benefits provided to them in a highly sophisticated manner (Muhlbacher *et al.* 2006). For example, Japanese Bandai Digital Entertainment, instead of seeking head-on confrontation with PC manufacturers, unveiled Pippin, a stripped-down Macintosh developed with Apple that looked like a videogame machine, offered internet access and CD-ROM, and plugged into a TV set. The organisation created its own new market (Muhlbacher *et al.* 2006:117). Potential customers either do not perceive well-positioned companies and products as directly comparable to each other or they appreciate having a choice between various offers for different purposes. All stakeholders in the market may subjectively profit or benefit from it. Cooperation behaviour can be in various forms, namely; business clusters, joint ventures and strategic alliance/partnerships with competitors.

3.7.2.1 Business clusters

This is the collaboration between business organisations, sometimes competitors, to exchange or share some value activities, Kotler (1985:231). Recent years have seen a great interest in the phenomenon of geographical business clusters and in the dynamic processes generating clusters. As global competition intensifies organisations observe that the prevalent international distribution of a firm's locations is shaken up. Organisations are induced to reconsider their location decisions and regional planners try to attract and lock-in (Arthur, 1990) a large share of economic activities that match a pre-existing critical mass of local organisations.

In a globalized world where distance seems to be no longer an obstacle, as capital, knowledge, and other resources travel almost freely and at high speed, we would expect economic activity to spread over space. Interestingly, however, we observe a tendency for the geographical concentration of many economic activities. Striking examples of spatial business clusters of economic activities each of which are being associated with specific industries. In Germany, the city of Solingen is known for a large number of cutlery producing enterprises, while a large share of Germany's automobile (supplying) industry is centred in Baden-Württemberg and Bavaria. Many more examples can be found in this and other countries (Enright, 2000:9).

Porter, (2000:271) defines a business cluster as a geographic application and concetration ofinterrelatedbusinesses, suppliers, and associated institutions in a specific given field. Clusters are considered to increase the productivity with which companies can compete, nationally and globally. In urban studies, the term agglomeration is used. Clusters are also very important aspects of strategic management.

Business cluster, also refers to as an industry cluster, competitive cluster, or Porterian cluster, was announced and propagated by Porter (1990). Porter (1990) claims that clusters have the potential to affect competition in three ways: by increasing the productivity of the companies in the cluster, by driving innovation in the field, and by stimulating new businesses in the field. According to Porter (1990), as cited in Wear (2008:18) in the current global economy, reasonable advantage of how certain locations have special endowments to overcome hefty input costs is less relevant. Furthermore, economic activities are embedded in social activities. This is supported by recent research showing that particularly in regional and rural areas; significantly more innovation takes place in communities which have stronger inter-personal networks. Business clusters occurs normally in geographical locations where enough resources and competences amass, reaching a critical threshold, giving it a *key position* in a given economic branch of activity, and with a decisive *sustainable competitive advantage* over other places, or even a world supremacy in that field.

Governments and and business organisations regularly attempt to use the cluster effect in order to stimulate a specific place which is regarded as good for a certain type of business. For example, the city of Bangalore inIndia, has utilized the cluster effect in order to convince a number of high-tech companies to set up shop there. Equally, Las Vegas has profited from the cluster effect of the gambling industry. The situation is not very different in France. In Paris, the national industrial policy includes support for a specific form of business clusters, called "Pôles de Compétitivité", such as Cap Digital. Another respectablemodel is the Nano/Microelectronics and Embedded Systems" or in short "mi-Cluster" that was facilitated by "Corallia Cluster Initiative " in Greece (Huber, 2000:87).

Competitive advantage involves managing the entire value system, encompassing the value chains of the firm, suppliers, channels and buyers. The importance of the entire value system to competitive advantage is manifested by the prevalence of clustering. The strongest competitive advantages, observed by Porter, often emerge from clusters that are geographically localized (Huber, 2000:87).

Porter (1990) introduced the concept of clusters as being *“groups of interconnected organisations, suppliers, related industries and specialised institutions in particular fields that are present in particular locations”.* Furthermore, acknowledged that the agglomeration of organisations has long been recognised in economic geography and regional science literatures. However, the phenomenon was viewed narrowly in this early publication, propelling the concept of value chain and vertical integration in clusters. The emphasis was then on sustaining the nation’s competitive position where it is acknowledged that cluster activities increase productivity and the innovation of products. Reduction in transport costs now reduce the need for the organisationto be located near its input and output linkages such as the suppliers and customers respectively (Feyder, 2010:72).

The connection between agglomeration economies and a sophisticated view of competition and strategy was yet to be explored in this earlier work. Porter (1990) noted that competitive advantage is sustained only through relentless improvements to the firm's product and organisation. Geographical concentration, indeed, is important for organisational improvement and technological innovation (Baptista & Swann, 1999:221). Concentration and accumulation of knowledge in the cluster will attract increased human capital to the cluster and, since the information exchange tends to be more informal, the spread of knowledge outside the region becomes limited. Kuah (2002:16) suggested that technological innovation is the heart of the dynamic process of cluster growth, accessed a new orgarnisation's entry and incumbents' growth. Kuah (2002:16) noted that strong clusters tend to attract more organisations, and regions with strong innovative record have an advantage in achieving more innovation; they are self-fulfilling and path-dependent. Innovative activity and output are positively correlated with new organisationentry and productivity growth (Swann *et al.*, 1998:68)
However the business cluster effect does not continue forever though to sustain cluster performance in the long term, clusters need to manage network openness to business outside the cluster while facilitating strong inter-organisational relationships within the cluster. Its relative influence is also dictated by other market factors such as expected revenue, strength of demand, taxes, competition and politics. In the case of Silicon Valley as stated above, increased crowding in the valley led to severe shortage of office and residential space which in turn forced many companies to move to alternative locations such as Austin, Texas and Raleigh-Durham, North Carolina even though they would have liked to stay in the valley.

3.7.2.2 Joint ventures

A joint venture is a friendly cooperation strategy that organisations adopt when they pull resources together and reduce on the cost of competition. An organisation can be friendly by adopting the cooperation behaviour strategies. Muhlbacher *et al.* (2006:371) reported that there is a range of approaches that can be used, namely,

defining “new” product markets, changing the “rules of the game” and entering strategic partnerships.

As a result of the globalization of markets, many organisations realized that they were short of resources and faced with the fierce competition in global markets (Glaister & Buckley, 1998). The organisations change the way they engage in business to sustain or to obtain their global competitive advantages.

Joint ventures are formed by two or more parent organisations, which are separate entities, by combining some portions of their resources to accomplish some strategic objective. Harrigan (1988:142) indicates that “the joint venture can be a partnership or a closely held corporation, or can issue corporate securities in its own right, like Tristar Pictures.” According to Margarita (2009: 41), the international strategic alliance (ISAs) makes it possible for organisations to share costs and risks, to facilitate international expansion, and to develop new skills and technologies. Joint ventures are one kind of the ISAs, the occurrence of which has been dramatically increasing nowadays, and it helps the companies build competitive advantage in their field. In this paper, joint ventures are focused on the ones that are among cross-border organisations.

The most frequently cited motivations for joint venture formation are the enhancement of market power (Beamish & Lupton, 2009:75). According to Beamish and Lupton, (2009:75), the following are some of the examples of joint venture bebefits: economics of scale, raising necessary capital, spreading the risks of a new venture, increasing operating efficiency, increasing bargaining power, inhibiting opponents’ moves, raising entry barriers opportunity to expand in response to future technological and market developments knowledge acquisition and synergy.

In addition, Hennart (1988:277) offers the transaction-cost motive for the formation of joint ventures. Hennart (1988) argues that organisations form joint ventures if they own complimentary assets that can neither be replicated nor acquired through market transactions, and if the complimentary asset owned by other organisations is indivisible

and hard to integrate, should the organisation acquire the asset. On the other hand, Babanazarov (2012:3) suggests a negative relation between the degree of asset specificity and the likelihood of organisations engaging in joint ventures. Williamson conjectures that increased asset specificity results in increased mutual dependence between participating partners which requires more coordination and governance, and decreases the efficiency. Tadelis and Williamson (2010:12) define the asset specificity as an asset that cannot be redeployed to alternative uses without the sacrifice of productive value.

3.7.2.3 Strategic partnerships

Strategic business relationships are strategies that organisations adopt for cooperation in the form of strategic alliances. These alliances are demonstrated through joint research and development, joint marketing, alliance management experience and international partners (Teng & Das, 2008:736).

Forming strategic business relationships is a way of enhancing the competitive advantage of minority-owned organisations and increasing success in securing business that might otherwise go to another supplier. Business relationships take on many forms, from simple contractual relationships to acquisitions. But, overall, these relationships are enduring business arrangements falling somewhere on the spectrum between these two extremes. Public relations help organisations build relationships which are strongest when they are mutually beneficial and characterized by “win-win” outcomes. Relationships are best when people share information that is accurate and relevant. Relationships require a commitment to open and trustworthy dialogue, a spirit of cooperation, a desire to align interests, a willingness to adopt compatible views/ opinions, and a commitment to make a positive difference in the lives of everyone affected by your organisation (Margarita 2009:37).

Margarita (2009:40) maintains that one of the most important objectives of a business relationship is cooperation. As long-term partnerships and strategic alliances between

organisations become increasingly important, more detailed knowledge of achieving inter-organisational cooperation is needed. Continuity focuses on the anticipation of future interaction between organisations. Continuity is defined, here, as the supplier's perceptions of the expectation of future exchange between relationship partners. Greater levels of cooperation may help drive such expectations of future exchange. But this effect is hypothesized to be indirect. Cooperation is proposed to positively affect the level of strategic benefits accruing to focal organisations and this, in turn, is proposed to affect relationship continuity. Members of the firm's relationship project team may gain a degree of satisfaction as well as other more tangible benefits from the cooperation experience.

Muhlbacher *et al.* (2006:99) states that the globalization of markets and the increasing speed of technological developments as well as international market introductions of new products force even traditionally fervent competitors to enter strategic partnership. For example, more than 25 major truck companies worldwide have joined together in over 300 strategic partnerships. Peugeot and Fiat as well as Ford Land Rover and Volkswagen have joint ventures in which mini vans are produced and sold under the brand names of each of the partners. Renault, Europe's fourth-largest producer of heavy trucks, cooperates with MAN, Germany's second-largest heavy truck maker, and in another business with General Motors to develop and market light commercial vehicles called panel vans (Muhlbacher *et al.* 2006:99). Studies further suggest that relationship strategies are best understood on the basis of the wider factors, including the network view of a focal firm. Relationship strategy in this context is therefore aimed at positively affecting the network position of the organisationthat is its ability to mobilize resources from other actors in the business system.

Many small and medium-sized companies that wish to become international marketers possess the required technical know-how to offer attractive products and services. But they lack the international experience or financial and personnel resources to confront their competitors in many markets simultaneously or to acquire business to reach the competitive advantages needed for success. Thus, cooperation may allow companies

to enter more markets, faster, cheaper, and with a broader product line than if they tried it alone (Muhlbacher *et al.* 2006:221).

3.7.3 Typology of competitors

Competition forces companies to engage constantly in offensive and defensive marketing strategies. Rivalry occurs because some competitors either feel the pressure or seesan opportunity to enter an industry or to improve its position within an industry. In most cases, competitive moves by one organisationhave noticeable effects on its competitors and, thus, may invite retaliation or efforts to counter the move (Fiegenbaum & Thomas, 2004:84).

Baum and Kornl (1996: 255) defines the typology of competitors as the classification of interplay of competitive and countermoves within an industry, which involves competition dynamics such as the impact of the initiator, the competitive attack, the competitive environment, the responder, and the competitive response, often testing relationships between these factors and organisationor industry performance.

This process of interplay of competitive actions in turn, translates into competitive rivalry in which companies constantly launch new competitive initiatives in the form of new competitive actions in order to enhance (or maintain) their competitive position and, hence, performance *vis-à-vis* their competitors (Ferrier & Hun 2002:171). What keeps the process of creative destruction from reaching equilibrium is the fact that no organisation can maintain its once successful competitive position without coming under attack and, eventually, being surpassed by competitor. Thus, as companies are constantly engaged in rivalrous competitive activity, in the form of competitive actions, the market process is continually changing (Ferrier, Fhionnlaoich, Smith & Grimm 2002: 301).

Research further suggests that competitive aggressiveness involves a “combative posture” that entails a “forceful response to competitors’ actions”. Responsiveness

entails either preempting the rival's strategy through a competitive move or reacting to the rival's competitive actions. Ferrier *et al.* (2002:68), drawing on hyper-competition literature, add that competitive aggressiveness involves a high speed of action as well as the ability to simultaneously conceive of multiple attacks using varied repertoires.

Competitive dynamics are referred to as certain types of competitive actions as either "tactical" or "strategic." Tactical actions are typically easy to start or stop and do not reflect a substantial investment of resources. Alternatively, strategic undertakings imply a more substantial investment of resources and a greater commitment to the action by the organisation (Ferrier & Hun, 2002:169). The foregoing terminology is unfortunate, as it appropriates the word "strategy" from its proper role and instead ties it to distinguishing types of action. Actions, however, are tactical in nature and thus specifically refer to the *implementation* of strategic choices (Kaplan & Norton, 2001:134).

The first dimension of our typology is the *relative competitive comparative strength* between the attacking organisationand its rival. Compatible with recent work (Chen, Su, & Tsai, 2007:101-118.), this construct represents the awareness, motivation, and capability between rivals. For example, an organisationwith the same levels of awareness and motivation but having less capability to take competitive actions than the focal organisationis at a comparative disadvantage. Similarly, an organisation may have an advantage when considering its capability; if it is not motivated to take competitive actions, though, it possesses a comparative weakness. Although a competitive attack may affect more than one firm, consistent with competitive dynamics research and for simplicity, we assume a *dyadic* relationship between an attacking organisationand a single rival.The second dimension of the typology is the *attack campaign intensity*. This construct involves the degree to which a organisationtakes and sustains competitive actions over time to achieve the desired outcome.

Ferrier, *et al.* (2002: 162) found that in terms of improving focal organisation performance, the most important factors were the attack volume and duration of the

campaign. Using merely the sum of competitive actions, however, fails to consider that competitive actions are not necessarily equally impactful. Therefore, we define attack campaign intensity as “the significance, volume, and duration of a sustained sequence of competitive actions directed toward a rival.” Higher levels of campaign intensity would entail sustaining a greater number of more significant competitive actions for a longer period of time.

Companies respond to competitor challenges by counterattacking with increasing advertising expenditures, cutting prices, increasing innovation, and introducing new products, or even accommodating the entrant by doing nothing or decreasing the level of marketing effort (Karakaya & Yannopoulos, 2011:171). In highly competitive markets, companies are being forced to get closer to their customers in order to increase and even to maintain their business and to create value-adding solutions to capture more revenue from their customer base (Thompson 2000; Galbraith 2002). Strategy creation and its challenges in highly competitive market have been discussed (Kim & Mauborgne, 2005).

Yannopoulos (2011:1) pointed out that organisations grow by taking market share from rivals or creating new markets. Incumbents need to be prepared for attacks by existing organisations seeking to expand their business and new entrants. The incumbents’ objective is to defend their market share and strengthen their position by making it harder for companies to enter or for existing organisations to challenge them. Incumbent organisations may also attack in an attempt to enter a new market, reposition themselves, or improve their market position.

Markets are dynamic grounds and it is in such grounds that organisations attempt to rise into their industries or reposition in other segments within a given industry. As they attempt to improve their positions, organisations deeply participate in competitive encounters and adopt offensive strategies. As noted before, profitable use of offensive strategies helps organisations improve their competitive position, gaining market share as well as increase of profits. (Hutzschenreuter & Israel, 2009:421).

While several organisations continue to overlook their competitors, studies indicate that organisations that take a dynamic view of competition perform better (Roberts, Nelson & Morrison 2005:151). Competition is an essential feature in a firm's effort to tolerate or lose their market share. Actions of other incumbents and new entrants can be decisive forces in a firm's erosion of market share. The reaction of competitors largely defines the success of entry. Reacting swiftly and considerately to competitive entry is important for market success (Debruyne, Moenaert, Griffin, Hart, Hultink, & Robben, 2002:159). Companies that fail to respond to market entry often experience a decline in market share (Hutzschenreuter & Israel 2009:421).

While many organisations ignore competition, research shows that successful organisations that take a dynamic view of competition perform better. Companies that fail to respond to entry often experience a decline in market share (Hutzschenreuter & Israel 2009:423).

3.7.3.1 Competitive Actions: three ways of attacking a firm's resources

The issues of market entry and incumbent defensive actions are an essential part of the competitive dynamics. Here, the organisations participate in aggressive and protective actions in order to enlarge or maintain their market position (Yannopoulos 2011:171). These moves and countermoves are believed to be part of the ongoing rivalry in which organisations are striving for a better market position. Being competitively aggressive is about the organisations' vigilant and forceful attitude which define their current market position while they seek to undercut their rivals' position. Derfus, Maggitti, Grimm and Smith (2008:72) recommend that companies must carefully and continuously monitor and analyze their respective rivals, must be motivated to improve their performance by attacking those organisations and must be

creative in their positioning of organisationresources to take-off attacks. The preferred end result of the competitive attacks is persistent performance that is superior to that of their rivals. Therefore, developing that strategy requires understanding the mechanisms that link the strategy with superior performance, the enabling actions, and the desired strategic outcomes with their associated costs.

Furthermore, organisations grow by taking market share from rivals or creating new markets. Incumbents need to be prepared for attacks by existing organisations seeking to expand their business and new entrants entering their markets. The incumbents' objective is to protect their market share and reinforce their position by making it even tougher for companies to enter or for existing organisations to challenge them (Yannopoulos 2011:173). Companies constantly engage in defensive marketing strategies because of rival actions. Competitors see opportunities to enter a market or segment to raise their market share and sales. Such exchanges regularly pose adverse effects on competitors and they call for revenge (Barnett 2008:1). Incumbents react to opponent challenges by counter attacking with increasing advertising expenditures, cutting prices, increasing innovation, introducing new products, or sometimes accommodate the entrant by doing very little, nothing, or even decreasing the level of marketing effort (Karakaya & Yannopoulos 2011:172). Because organisations often grow at the expense of their rivals, incumbents should be equipped to face attacks by other organisations seeking to enhance their market position as well as from new entrants. As organisations attempt to improve their position, they engage in competitive battles and adopt offensive strategies. Incumbents, on the other hand, often focus on defending their market spot by making it tough for rivals to enter or for existing organisations to challenge them. Incumbent organisations may also launch attacks in an attempt to defend themselves (Karakaya & Yannopoulos 2011:174). Subsequently, incumbents struggle to fend-off some potential entrants from making any substantial commitment, because once the commitment is made, it is problematic to deter the opponent from following through with the entry, especially, if exit barriers are high. If entry has occurred, an incumbent may attempt to lower its negative impact, by directing the attack to areas where the organisationis less vulnerable, or in areas

which are less desirable to the attacker (Yannopoulos 2011:3). It could also accept actions designed to make the entrant's life difficult after entry has occurred. The objective of such actions would be to convince the entrant that its expectations were too optimistic and it does not warrant staying in the market or if they remain, to contain their expansion effort. The three competitive ways which organisations attack resources include: Defy attack, Defense attack and Debase attack.

a) Defy attack

The defy attack is arguebly the most secretive method of all because it may be done with nominal visibility and for ostensibly other reasons. Santos and Eisenhardt (2009: 651) reveal that several new, popular ventures elected to silently procure other nascent organisations for a reason which was in conflict with predictable M&A logic. These ventures eventually realized limited pertnerships amongst them and their acquisition targets. The ventures, instead, decided to reject other existing or prospective competitors from acquiring the target organisationand its resources. In other words, the ventures were seeking to defy competitors' easy access to what could possibly be concerted resources. Framed in the five-force model, rebuffing these resources was a clear effort to create an entry blockade.

These entry barriers would have raised a competitor's cost structure and helped the venture preserve a relative profit margin advantage. Google's acquisition of YouTube in 2006 demonstrates this approach. A $1.6 billion Payment for a nineteen-month old organisation that had just a few dozen workers and an untested business model would appear to be making little economic sense, principally because Google already had reputation as the web's leading innovator. However, the acquisition stopped Microsoft, who was apparently interested in YouTube and others from attaining easy entry into the video-sharing market and closing the gap with Google. Acquisitions are not the only tools in a denial approach. Patent infringement lawsuits (e.g. Netflix suing Blockbuster over the use of Netflix's web-ordering/mail-delivery business model) can serve to deny completely or slow down a rival's use of a new technology, or perhaps may shift the

relative profit margin in its favour by requiring a one-time or ongoing royalty for the rival's use of the technology. Another tool is securing exclusive rights to a valuable resource (Santos & Eisenhardt, 2009:659).

b) Defense attack

It has been pointed out by several studies that incumbents engage in defensive strategies to fend off organisations before or after challengers enter their markets. Gebhardt, Carpenter and Sherry (2006:37) notes that the major target of pre-entry defensive strategy is to make entry unattractive and discourage potential challengers from entering the market. Furthermore, incumbents endeavour to influence the entrant's expectations of the profitability of the entry and persuade them that the return on their investment will be low and entering the industry is a risky move.

Defensive strategies work better when they take place before a rival enters the industry, or, if they enter the industry, to force them to exit before exit barriers are raised, making it difficult for the challenger to exit the industry (Yannopoulos 2007:3).

Marketing is typically seen as a tool for growth. An organisation can use it to successfully launch a product, make inroads into a new market, or gain share with existing products in its current market. But for nearly every new product launch, market entrant, or industry upstart grabbing market share, there is an incumbent that must defend its position. If the defender cannot hang on to what it has, it loses the foundation on which to build its own growth (Schnaars, 2001:12). Several new products are presented into markets with 'existing competitive products. The entry of a new product "attacker" into such an environment definitely incites responses from some or all of the existing products (termed defenders) (Porter, 2008:13).

The defensive attack marketing approaches/tactics can be characterized by their aims, whether a strategy is premeditated to keep customers or simply to slow the rate of their switching to a new rival. They can also be categorized by the means to achieve those

aims, that is, whether a strategy focuses on the incumbent's strengths or on the rival's perceived strengths (Mohr, Sengupta & Slater 2009:12).

During the launching of a defensive attack, an organisation begins with an assessment of the available weapons which are to protect its market position. Such weapons include brand identity which is also the customers's perception of the firm; the mix of products and services supporting that identity, including their pricing; and the means of communicating that identity, such as advertising.

Roberts, (2005:150) pointed out that the effectiveness of these weapons will depend on several factors, including a firm's status as an incumbent. For example, an organisation may decide that its brand identity needs to be modified if it is to retain customers or delay their defection. But this may prove difficult. While consumers' perceptions of a new entrant are likely to be malleable, their image of an incumbent is likely to be well formed. The defender may own the perception of "heritage" in the customer's mind but may also be stuck with that label despite massive advertising outlays aimed at changing it. Meanwhile, a new entrant can relatively quickly and easily adopt an image say, "breathe of fresh air" from an array of branding alternatives.

In other cases, a weapon such as advertising may be *more* effective in the hands of a defender because of the incumbent's size. For example, if the incumbent has ten times the revenue of the new entrant and each puts the same percentage of revenue into advertising, the defender will be able to outshout the newcomer by an order of magnitude, giving it an obvious advantage, at least, when communicating messages that are not intended to entirely reposition a well-established brand (Roberts, 2005:162).

Kotler, (2002) pointed out that a valuation of the strengths and faults of your collection will help you in choosing from four forms of defensive attack marketing strategies. A client defects when the benefits of staying with an incumbent are outweighed by those of switching to a new entrant. And that does not necessarily happen right away; an

incumbent may be able to delay a customer's switch. Consequently, to hold on to customers, the incumbent can try to increase its perceived advantages in their eyes (a *positive strategy*). In the case of customers who will ultimately switch, the incumbent can try to slow the rate of their departure (an *inertial strategy*).

Roberts, (2005:150) similarly notes that the incumbent can try to reduce its perceived drawbacks relative to the new rival, by either trying to retain customers (a *parity strategy*) or to decelerate their loss (a *retarding strategy*). With the first two types of strategies, the incumbent establishes and communicates his/her points of superiority relative to the new entrant; with the second two, the incumbent establishs and communicates strategic points of comparability with his /her rival.

c) Debase attack

A debase attack can be indirect, and it chiefly weakens the attacked rival's past investment in a resource. For example, after the name of airline deregulation in 1978, the so-called major airlines fortified or established new major hubs at significant cost in order to expand their route networks (Santos & Eisenhardt, 2009:661). Although economically incompetent for connecting relatively geographically close city-pairs, the center and spoke networks more realistically connected distant city-pairs and moved traffic to international gateways. Low-cost Southwest Airlines, however, eschewed hubs. It primarily focused on linking relatively close city-pairs with direct flights, arguing that its main competitor was the car and no other airlines. As Southwest grew and began to connect distant cities the once-valuable hubs of the major airlines suddenly became economic albatrosses. They wedded the majors to a much higher cost structure than that for direct flights. Thus, Southwest devalued what had been important resources for its rivals.

Likewise, in 2010 Apple attacked the primary resource of a major rival—Adobe's Flash technology. Apple CEO Steve Jobs publicly said: "Flash looks like a technology that has had its day," and Apple's iPhone and iPad rejected the otherwise ubiquitous Flash

technology (McNichol, 2010:28). By devaluing Flash, Apple was aiming to convince software and application developers to abandon Flash as a platform. Doing so would, in turn, cripple Adobe's major revenue stream and devalue its past and ongoing investments in Flash. By debasing the resource base of a rival, the attacker potentially decreases that firm's future profitability, as it must invest to upgrade the resource, pay to shift to a new resource, or continue to operate with the devalued, cost-inefficient resource and perhaps lose market share.

3.8 THREE DRIVERS OF COMPETITIVE BEHAVIOUR

According to Chen (1996:68), there are 3 drivers for competitive behaviour: awareness, motivation, and capability. The idea is advanced to that awareness, motivation, and capability are manifested as organisation processes and suggest that these processes make some organisations more competitively aggressive than others. Awareness entails analysis of a firm's rivals, real-time tracking of its rivals' competitive actions, and dissemination of this information. There are substantial variations among organisations in their demonstrated levels of awareness. Some of these variations are due to organisations that shun such red ocean actions as they seek to innovate to blue oceans. The primary reason behind the variations, however, is that the monitoring and analysis functions which are inherent in rival awareness, are costly in terms of physical and cognitive resources of the firm. The most competitively-aggressive organisations choose to invest in these processes and thus have a higher level of awareness.

The second crucial feature behind competitive aggressiveness is motivation. There are two unique characteristics of a highly competitively-aggressive organisation in this regard. First, out performing its rivals is very significant for a hostile firm. Other companies may choose other reference points, such as, past performance or internal goals, and be satisfied with meeting such targets (Fiegenbaum & Thomas, 2004:56; Shoham & Fiegenbaum, 2002:30). However, competitively aggressive organisations seek out information on the performance levels of their rivals and then compare themselves against their rivals' performance (Porter, 1980). The second characteristic

of competitively aggressive organisations is that they see the challenging of the rivals' positions as an appropriate and necessary step in furthering their own performance. Additionally, they can attribute any performance gap to the actions of a rival. A high level of motivation and awareness, nevertheless, becomes salient only in the presence of the third factor, the firm's capability to launch and counter competitive attacks. Part of this capability is the tangible resources of a firm, such as, slack funds generated by strong past performance. But a competitively aggressive organisation also identifies available resources and prioritizes them to attack when less aggressive organisations might look at the same resource base and see little. The more aggressive organisations are better at creating effects with the available resources rather than waiting for optimal resources to become available (Baker & Nelson, 2005:80; Read & Sarasvathy, 2005:29).

3.9 SUMMARY

In this chapter the theoretical review of the rules of business behaviour was presented. A review of various scholars' proposition on rules of business behaviour in a competitive environment was discussed. The purpose of this chapter was to link a competitive banking environment which will be discussed in the next chapter to the understanding of the rules of business behaviour in a competitive banking environment. Since most banks involve customers, by knowing the banks' behaviour, employees will be in position to communicate the banks' products, services, processes and procedures to the clients. The literature that was reviewed provides a valuable template to inspire businesses across the globe to achieve competitive advantage. In

today’s increasingly complex and dynamic competitive environment, large international banks are effectively isolated from various competitors because of their size reputation for their deposit safety and international links. The removal of some financial intermediation impediments, improving the regulatory, supervisory, and legal framework has resulted in a highly concentrated banking system thereby increasing the competitive banking environment.

CHAPTER FOUR

AN ANALYSIS OF THE NATURE OF A COMPETITIVE ENVIRONMENT

4.1 INTRODUCTION

Chapter three analyzed the conceptualization of rules of business behaviour and typologies of competition. The review identified two different rules of business behaviour, namely, confrontational behaviour and cooperational behaviour.To date little research study, on the concept of rules of business behaviour, has been done in Uganda. Chapter four also provides an extensive literature review of competition which is also imperative for the study. In this chapter, a brief review of competition and its behaviour will entail the following: the discussion of the theories of competition, the history of competition, the role of competition in any industry; art and science of competition; ethics of competition; types of competition; typology of competitors, porter's five models of competition and the nature of competitive banking environment.

The concept of business rules has grown in feasibility and popularity in the last few years (Kovacic, 2004:159). This has been attributed to international business competition and maturity as well as advancing growth which has proved challenging, especially, to the well-established organisations with dominant positions in their core businesses.

A number of researchers have recently studied the concept of Competition in an economic setting (Husso, 2011: 58). In the business world, insufficient theoretical studies have sought to analyze and compare the strategies of competition in various companies.

According to Vives (2001:337), competition plays an important role in the business economy. The rate of competition in a financial segment influences the production efficiency of financial services, the value of financial outputs and the rate of innovation.

Consequently, it is worth noting that there is a strong link between competition and stability, and studies indicate that competition is a vital aspect in the practical policy towards banks (Vives, 2001:337).

In business, competition exists in very many forms and it is not only between companies dealing in the same merchandise. For instance, there is internal competition which is a type of competition that exists within companies. The idea of internal competition was first introduced by Alfred Sloan at General Motors in the 1920s (Keddy, 2001:552). He purposely developed areas of intersection between divisions of the organisation so that each division would be challenged by the other divisions. For instance, the Chevy division would compete with the Pontiac division for some market segments.

Porter, (1998:77), notes that in many countries business and economic competition is inadequate or controlled and that sometimes competition is controlled through legal constraints. For example, competition might be legally prohibited as in the case with monopolies. Taxes and levies or other preventive measures may also be inaugurated by government in order to prevent or reduce competition. Subject to respective economic policy, competition is controlled by competition law and policies. Reimer, (2006:9) argues that there is intelligent competition between countries that at times may not be identified. However, it is quite obvious in global economics, where countries like China, Japan, United States and countries from the European Union are in pursuit of economic power in the global marketplaces, tapping in the concept of Kiasuim. Policies on educating future workforce and designing competitive strategies are a clear evidence of competition. The case in point is, East Asian economies, such as, South Korea, Singapore, Malaysia and Japan are inclined to highlight education by earmarking a large share of the budget to the sector, and by executing programmes like gifted education, although some critics censure this practice as symptomatic of academic elitism.

Whereas there is analysis of the theoretical study of some interactions between competition and the nature of business performance, there is also a review of the empirical investigation into the history of competition, role of competition in any industry, art and science of competition, ethics of competition, competitive advantage, competition policy-making/law, global competition, types of competition, typology of competitors, porters five model of competition and the nature of competitive banking environment (Gamero, 2009:02).

4.2 GENERAL THEORIES OF COMPETITION

Under this sub-section there are general concepts of competition beginning with those developed from famous theorists like J.S. Mill, Smith and Ricardo, believed to be classical and overtly examined in Marx's Capital. This is where the classical conception of competition lies. However, neoclassical conception progressively substituted it. According to neoclassical conceptions, competition is conclusive but not just an explanation of how organisations shape up to actually compete with one another.
The critical aspect of competition is embedded in the theory, pushing the field forward. The creation of the theory is the inexorable result of concentrated efforts to improve practice.' Through growth and implementation of the theory, the practice can be improved (Wilkie, 2003:142).

The utmost of the phenomena as specified in the theories are usually related with competition, such as aggressive price cutting, concentration of capital, uncertainty, and neoclassical model. They are analyzed as deviations from what competition ought to be, that is, perfect competition. Perfect competition, is at the background, when neoclassical theory tackles issues of industrial business or government guideline of industry and numerous market forms, like oligopoly and monopoly. There are unlike deviations in classical theory which are analyzed as exactly the predictable outcomes on the real action of competition, as a progression of opposition where organisations challenge each other in their continual struggle for survival (Krugman & Wells, 2009:387).

4.2.1 Classical theory of competition

According to the Classical economists, competition is an instrument that directs deviating self-interests of autonomously acting individuals and guides them to attain the equilibrium in a vigorous sense of the term. The process of elimination of excess profits and losses is a never-ending and the peripheral determination of natural prices as centres of gravitation of market prices (Tsoulfidis, 2011:12). Despite the fact that every individual is chasing the gratification and satisfaction of his own interests, it is not easy to stimulate an end which was not intentional, therefore, competition is an endless rivalry as pronounced by the classical economists. For instance, Smith (1776:706) describes this rivalry as a price-cutting process through which capitals (organisations) are in a constant pressure to innovate, as noted by Nelson and Winter (2009:62), equilibrating procedure and not as an end-state or a state of affairs as is described in neoclassical economics.

Besides competitive process, actual prices are attracted to their natural ones, and by doing so, the rate of profit together with wages and rents (in the case of agricultural products) descend towards their standard analogues. Smith (1776:706) identifies perfect liberty as free mobility of capitals, also the condition *sine quanon* for the attainment of these normal positions of the economy. Tsoulfidis, and Tsaliki, (2005:13) cited Smith (1776) *Journal of Wealth of nations* as stating that every man is left perfectly free to pursue his own interests in his own way, and to bring both his industry and his capital into competition with those of any other man, as long as he does not violate the laws of justice.

Additionally, Smith (1776:706) remarks that competition essentially influences the actions of each individual pursuing his own interests to promote societal welfare

unintentionally. In addition, every individual persistently works hard to find the most rewarding employment for the capital that the owner can manage. It is the owner's advantage, indeed, and not that of the society. However the study of own advantage naturally, or relatively essentially, leads him to prefer that employment which is most advantageous to the society (Smith, 1776: 338).

Competition was conceived as a process of rivalry, however, there are reports that could be interpreted as supportive, measureable, quantitative and therefore classified as belonging to the neoclassical perspective of competition (Tsoulfidis, 2011:3). On the other hand, classical economists in general were not predominantly strong based on the requirements of competitive behaviour and how it was affected by the number of partakers.

4.2.2 Neoclassical theory of competition

The examination of competition in the neoclassical theory is confined to the model of perfect competition, which pronounces the ultimate conditions that must hold in the market so as to enhance the presence of impeccable competitive behaviour, from the typical organisation and, by extension, the identification of the industry as competitive or not. The model of perfect competition defines a market form involving a large number of small relative to the size of the market organisations selling a similar, standardized commodity to a large number of consumers (Tsoulfidis, 2011:6).

4.2.2.1 Characteristics of Neoclassical theory of competition

Tsaliki andTsoulfidis, (1998:15) identified the following characteristics of neo-classical theory of competition:

a) Demand

Demand is heterogeneous across industries, homogeneous within industries and static

at different configurations of prices across generic product categories, such as foot wear, televisions, and automobiles. Neo- classical theory also allows consumers to prefer different quantities of each generic product. However, consumers' tastes and preferences are understood to be identical and fixed through time with regard to preferred product features and characteristics in each generic product grouping (or industry). Therefore, neoclassical works speak of the "demand for shoes," and the groups of organisations constituting the shoe industry are supposed to face, jointly, a downward-sloping demand curve. Every individual organisation in the industry, however, faces a horizontal demand curve due to the fact that they have a homogeneous inter-industry demand. There is an assumption that the Inter-industry demand is homogeneous, the presence of organisations with downward- sloping demand curves as in monopolistic competition emanate from the rent- seeking behaviour of product differentiation.

Under neoclassical theory, there is perfect information and knowledge of consumers, costless to them, about the accessibility, characteristics, benefits, and prices of all products in the marketplace.

b) Firm’s objective

Profit maximization is the primary objective of owner-managed organisations, maximizing the self-interest of the owner is characteristic of neoclassical theory. Profit maximization (or wealth maximization, that is, the maximization of the net present value of future profits) occurs under circumstances of perfect and costless information about product markets, production techniques, and resource markets. Organisations do not profit maximize only in circumstances where (non owner) managers face decisions where their personal interests conflict with the owners' interests in profit maximization. Then, managers act opportunistically and the "principal-agent problem" arises.

c) Human motivation

In their roles as consumers of products and owners or managers of organisations, people maximize their utility according to neoclassical theory, all human behaviour is motivated by maximization of self-interest. Hunt (1995), demonstrate that neoclassical theory conceptualizes utility and utility maximization as being either ethical egoism in moral philosophy (pleasure utility), a tautology, or and a mathematical abstraction. They further explain that only pleasure utility, or "P-utility," maximization is a substantive opinion that could strongly be empirically tested. P-utility is also normally assumed in empirical works and public policy recommendations.

d) Resources

In neoclassical theory, factors of production include resources, classified as land, labour, and capital. In addition, all organisations have access to a production function and technology that assist them to merge all the factors of production to produce a product. All resources are variable in the long run, and each organisation in every industry changes its resource mix, for example, its capital/labour ratio to minimize the cost of producing, its profit-maximizing quantity. A long-run equilibrium position is inevitably attained due to adjustments, where each organisation produces the quantity for which market price equals long-run marginal cost, which itself equals the minimum long-run average cost.

There are various characteristics of resources that are identified in the neoclassical theory which include:

- *Perfectly homogeneous resources and mobile.*
- *Each unit of labour and capital is identical with other units,*
- *There are no restrictions on movement of different units among organisations within and across industries.*
- *No organisationhas access to a superior technology or organisational form.*
- *Each organisationwithin an industry uses the identical production function.*

e) Management role

For neoclassical theory, the role of management is to establish the quantity of the product which the organisation will produce and to put into operation its (standardized) production function and procedures. It should not be forgetten that, the primary motive of organisations is profit maximization, all organisations in an industry will inexorably produce at an output rate where marginal cost equals marginal revenue. In the short run, where resources like plant and equipment are relatively fixed, depending on whether price exceeds (or is less than) the average total cost of producing to maximize profit, each organisationwill earn profits or losses.

The long-run equilibrium position has no profit, thus only an accounting profit equal to the rate of return is available in other perfectly competitive industries. Here organisations have neither a pure profit (nor rent) nor a pure loss. Equilibrium position prevails in industry until something changes in its environment. Therefore all forms of innovation are exogenous factors represent "shocks" to which each industry responds. The performance in terms of profits of the organisation is determined by the environment. Pure profits or rents occur only temporarily just long enough for equilibrium to be restored. Product and factor markets are inter dependent, prospect of a general equilibrium for an entire economy arises, but over time market-based economies have moving equilibrium.

4.2.3 Resource advantage theory of competition

Resource-advantage (R-.A) theory is drawn from developed research traditions, such as, Austrian economics, transaction cost economics, industrial-organisational economics and the resource-based view of the firm. It should be noted that Resource Advantage theory is a competition concept advanced and applied within the marketing strategy literature (Hunt 2000:307; Hooley *et al*. 2005:21; Seggie & Griffith, 2008:268).

Specific to Resource-Advantage theory are the tenets that:

- *Consumer information is imperfect and costly;*
- *Demand is heterogeneous across industries, heterogeneous within industries and is*

dynamic;

- *Human motivation is controlled self-interest seeking;*
- *Superior financial performance is the firm's objective.*
- *The firm's information is imperfect and costly;*
- *The firm's resources are financial, physical, legal, human, organisational, informational and relational;*
- *The firm's resources are heterogeneous and imperfectly mobile;*
- *The management's role is to recognize, understand, create, select, implement and modify strategies of allocations among resources; and*
- *Competitive dynamics are disequilibrium-provoking, with innovation being endogenous (Hunt 2002: 137).*

Competitive advantage of the organisationresults from resource heterogeneity, deriving superiority in financial performance, ex post limits to competition essential to sustain superior financial performance, imperfect resource mobility, ensuring that superior financial performance is bound to the organisationand shared by it, and ex ante limits to competition, preventing costs from offsetting superior financial performance – is all in identity of R-A theory, (Hughes & Morgan 2000:510).

According to R-A theory, organisation resources are leveraged to provide for competitive advantage consequential in superior financial performance (Hunt 2000; Hughes & Morgan 2000:510).

Owing to the resource-based view, R-A theory indicates that resources are the 'tangible and intangible entities accessible to the organisationthat facilitates, in order to produce efficiently and effectively, a market offering that has value for market segments (Hunt 2000:11). Notable to theory development, is that, unlike the resource-based view of the firm, R-A theory categorizes and explicitly identifies seven specific resource categories, which are, financial, human, organisational, physical, relational, informational, and legal. These resources can be auxiliary transformed into tangible and intangible.

Tangible resources include financial, physical and legal resources, Hunt (2000:112). Financial resources are defined as the current and potential cash resources of the firm, inclusive of access to the financial markets, cost of capital. Furthermore, the firm's ability to expand into new markets and develop new product or service initiatives are prime roles of financial resources. Thus, financial resources permit a organisation to exploit market opportunities, to enhance its overall strategic position, and to allow a strong competitive posture against threats, such as heightened price competition or negative economic cycles,thus granting the organisation sustained performance success (Hunt 2000:114-115).

Physical resources refer to the buildings, equipment and the raw materials of the firm. These resources interact with customers/clients and provide the context of the interaction. Legal resources include trademarks, licenses. Legal resources establish the aptitude of the organisation to shield competitive aspects of the firm. As the organisation moves from market to market, legal resources may vary as the legal protections recognized in one market may not be legally binding in all countries in the world (Hunt 2000:115).

Intangible resources, however, include human, organisational, informational and relational resources. Human resources refer to the skills and knowledge of the firm's employees (Hunt 2000:117; Hitt *et al*. 2001:23). Human resources are often the most imperative, as they are action orientated and encourage the applicability of other resources. Stock of relationships with and other entities, customers, suppliers, competitors, unions, governments, among others are relational resources to the firm. A relationship may only be a resource when it provides a contribution to the value-offering product to a segment which organisation is targeting (Griffith *et al*. 2006:20; Palmatier *et al*. 2006: 142). Organisational resources include the firm's policies, cultural routines, capacities and competences. These resources include marketing competency, learning capabilities, research and development capabilities (Kropp *et al*. 2006:507). Informational resources involve information concerning products,

production processes and procedures, customers and competition. According to Kropp *et al*. (2006), profoundly investing in market research, technical research and development and competitor intelligence, Organisations will always improve its stock of informational capital resources. Hunt and Morgan (2002:78) point out that the firm's resource assortment, such as, its competencies, enables it to produce a market offering that is relative to extant offerings by competitors, is perceived by some market segments to have superior value or can be produced at lower cost as a result of comparative advantage in resources.

Organisations gain the ability to achieve competitive advantage through greater effectiveness and efficiency of developing and leveraging heterogeneous as well as imperfectly mobile resources. Hunt and Morgan, (2002:78), state that the potential to yield competitive differentiation or customer value delivery rather than possession is the value of a resource. Value is maximized for the organisation when resource exploitation provides a unique proficiency and relatively sustained advantage (Hughes & Morgan 2000). Hunt (2000) argues that competitive advantage in market place and superior financial performance is translated from comparative advantage in resources. Thus, superior financial performance implies that organisations look for a level of financial performance that is more and above that of its referents, often its closest competitors.

It is significant to note that R-A theory conceptualizes the organisationas working within a larger environment, inclusive of societal resources, societal institutions, actions of competitors and suppliers, behaviour of consumers, and public policy decisions. Hunt (2000:205) suggests that Resource Advantage theory encourages the organisation's resource employment in competitive advantage. Furthermore, R-A theory plays a role in explaining the superior productivity of market-based economic over command economies'. In addition, at a cross-national level, divergence in R-A theory, in the influence of peripheral factors, generates exclusive contexts for the effectiveness of resource exploitation, enhancing, thereby, the understanding of cross-national issues. R-A theory provides a basis for understanding what constitutes the organisationin

society and for facilitating cross-market and cross-national applications. Most notably, differences across nations, customers, competitors, public policy, societal resources and institutions, all owe their effectiveness to the application to global advertising research approach.

There is thorough application of the Resource Advantage theory by researchers at the individual level. Griffith and Lusch (2007:135) explain that intangible resources of the organisationare, to an extent, embodied within the employees of the organisation through the business skills and experience they have acquired. However, Griffith and Lusch (2007:135) note that business skills and experience are resident in organisation employees, not the organisation itself. In addition to acknowledging the views expressed by the foregoing theorists, the R-A theory also suggests that global advertising of personnel should be scrutinized to advantage intangible resources and to make global advertising managers effective.

Heterogeneous and imperfectly mobile resources are combined by Resource-advantage theory. Comparative advantage in resources leads to production at higher profits as it is argued by R-A theory about a firm's portfolio of resources. Superior value is attained when resources are applied to provide a unique proficiency and comparative sustained advantage (Grewal &Tansuhaj, 2001:72).

R-A theory is conceptualized as a firm's activities within a larger societal system, involving institutional elements such as societal resources, societal institutions, actions of competitors and suppliers, behaviour of consumers, and public policy decisions and overlaps, to focus on national comparative systems, thus providing a theoretical framework for cross-national study.Through the process of competition, organisations gather, develop, increase and create resources that compose an economy's private-sector capital.

Furthermore, employing R-A theory has extended the fundamental elements of R-A theory to the individual level, that is to say, conceptualizing intangible resources as

embedded within the organisation's personnel, (Griffith & Lusch, 2007: 137). The annex of R-A theory to the individual level allows managers to have thoughtful views advertising and its effectiveness.

4.3 THE HISTORY OF COMPETITION

Competitiveness began in the ancient times, however, in the middle1990s, it began to shift to the extent that leading companies that used to be assorted multinationals focused their competitive strategy on assets, positions, and economies of scale. In the quest for short-term profitability or growth, wherever they could find it, they did not follow the traditional portfolio strategies but rather, acknowledged that value was shaped by their distinguishing capabilities in what they could do consistently well. The organisation’s strategic approach was based on a reliable influential value plan geared up by a few equally, reinforcing capabilities, giving them a continual advantage over their rivals (Danninger, 2008:8).

According to the legendary Orthodox economic theorists, competition is a natural outgrowth of the operation of supply and demand within a free market economy. At national level, competition among merchants in foreign trade was common in ancient times; in the 19th century this became a distinguishing of mercantile and industrial extension. Since the middle Ages, the price of an item was seen as eventually fixed by the convergence of these two forces (Gary, 2011:149).

According to Sahney, Benton and Ferry (2010: 73), there is competition in economics, supply or acquiring an economic service or goods and services. There is competition among many small buyers and sellers, none of whom is too huge to influence the market as a whole. In practice, competition is regularly condensed by a great assortment of restrictions, including copyrights, patent rights, and governmental

regulations such as fair-trade laws, minimum wage laws, wage and price controls. Consideration of competing and transacting organisations has been encouraged by the addition of concepts like socially embedded, network ties, trust and institutional environments. In addition, applying the necessary and respected sociological concept of the position offers assurance in encouraging researchers to expand greater insight into both the antecedents and consequences of business competition. Status differences which change overtime can influence competitive organisational behaviour (Sahney *et al.*, 2010: 73).

In business, competition can be identified as the effort of two or more parties acting autonomously to acquire the business of a third party by presenting the most constructive terms (George, 2008: 20). In literature, it has been suggested that, competition is a contention between sellers demanding to achieve such goals as rising profits, market share, and sales volume by varying the elements of the marketing mix as well as price, product, distribution, and promotion. An important argument in the history of competition has been the monopoly, which demonstrates a business interest so large that it has the potential to regulate prices in a given industry. In addition, Smith and other classical economists such as Cornet referred to price and non-price rivalry among producers, to sell their goods at the best terms through the few buyers, not essentially to a large number of sellers nor to a market stability (Blaug, 2008:185). Governments applied to enforce competition through legislation, as the United States did in the Sherman Antitrust Act of 1890, which made many monopolistic practices illegal.

However, Archie (2010:89) explains that competition does not automatically have to be between companies because of the existence of internal competition within companies. The pioneer of this idea Alfred Sloan, intentionally fashioned areas of overlap among divisions of the organisation so that each division would be competing with the other divisions.

According to Fitch (2007:21), thoroughly organizing and segmenting the organisation in and around different brands, is another strategy with each brand allocated resources, including a devoted group of employees who are enthusiastic to champion the brand. Early Studies identified that in 1931, Procter & Gamble initiated a purposeful system of internal brand versus brand rivalry. Each brand manager was given a task for the success or failure of the brand and was rewarded accordingly. Most businesses also encourage competition between individual employees and this also pitted brand to brand competition and brand against another brand. The sales representative with the maximum sales (or the best improvement in sales) over a period of time would gain benefits from the employer (Fitch, 2007:21).

According to Porter (1996) tariffs or other protectionist measures may also be enforced by government/state in order to thwart or reduce competition. In most countries, business and economic competition is regularly controlled or restricted. Competition frequently becomes a question of legal restrictions, For example competition may be lawfully prohibited as in the case with a government monopoly or a government granted monopoly. Depending on the particular economic policy, the pure competition is to a greater or lesser extent synchronized by competition policy and competition law (Hoskisson, Eden, Lau & Wright, 2000:249-267).

According to Petrović, Antevski and Vesic (2008:4), modern competition depends on productivity, not on access to inputs or the scale of individual enterprises. Productivity rests on how companies compete, not on the particular fields they compete in. Companies can be highly productive in any industry: shoes, agriculture, or semi-conductors if they employ sophisticated methods, use advanced technology and offer unique products and services. All industries can employ advanced technology; all industries can be knowledge intensive. The sophistication with which companies compete in a particular location, however, is strongly influenced by the quality of the local business environment.

In the new economics of competition, what matters most is not inputs and scale, but productivity and that is true in all industries. Competition aims in leading the competitors. It is an attitude of being better than other business groups. Competition, in today's business, has developed an opportunity to benefit the public in many ways (Petrović *et al.* 2008:21). To understand the strengths of the business, understanding competition and positioning is essential. All those who compete for the customers' time and money are competitors, without competition, the grocer may have no incentive to lower prices. The business may have no reason to offer a range of choices and to offer a variety of models and services (Tsoulfidis, 2011:7). Customers benefit from competition by keeping prices low, the quality, choice of goods and services high. In addition, increasing competition prompts companies to offer value- added services with the product in order to differentiate themselves by adding value to their services.

Consumers cannot get better products and services in the business environment without fair competition. Tsoulfidis, (2011:7) thus fair competition is paramount for the improvement of the consumer, companies and the growth of the economy. Hence society ensures that consumers have choices in price, selection and services by challenging the anti-competitive business practices. Business organisations learn about competition problems through customer feedback. Capitalism characterized by minimum government regulation or interference, offers a competitive market place for the exchange of goods and services.

In conclusion, competition in the business environment should be taken seriously by organisations. It is a strategic push on managing global competition in products and services by practitioners of all sectors, including, agriculture, industry, pharmaceuticals and services in the target markets by original research in ground breaking knowledge and understanding in the competitive dynamics and strategic marketing studies field.

4.4 THE IMPORTANCE AND THE ROLE OF COMPETITION IN THE INDUSTRY

Competition plays a vital role in the operation of markets. It promotes innovation, productivity and growth, resulting in wealth-creation and poverty-reduction. Market always faces challenges and uncompetitive markets matter most to the poor (Porter & Kramer, 2011:76). Teece (2010:177) emphasizes that, the noticeable benefit of competition, results from goods and services being offered to consumers at competitive prices. However, people often forget that producers are consumers at the same time, as they buy raw materials and energy for the production of their products, use telecommunications services to communicate with their suppliers and customers, buy computer equipment to keep track of their inventories, use construction services to build their plants and warehouses, and so forth. Often the prices for the goods and services are higher, compared to those of foreign competitors due to the absence of competition in those markets. However, such organisations are less competitive and suffer in the market place (Porter & Kramer, 2011:77).

Porter (2008) emphasizes the effect of competition on efficiency and productivity as the second benefit of competition. He asserts that companies which are faced with strong competition are constantly pushed to become more efficient and productive. They are always aware that their competitors and are persistently looking for better ways to lower costs so as to raise profits or achieve a competitive advantage. Therefore, with that relentless pressure, organisations strive to keep pace in making efficiency and productivity improvements or else they may see their market position shrink, if not completely evaporate. Thus competition between rival organisations leads them to provide higher quality goods, better services and lower prices.

According to Porter (2008: 131), competition in its positive effect is innovation: Porter, (2008:131-32) further states that in a technology-driven world, innovation is imperative for success as it leads to new products and new production technologies. It enables new organisations access to markets controlled by incumbents, and it is essential for the incumbent organisations who want to maintain their previous market success and encourage consumer demand for new products. Innovation is driven by competition. Short of competition, no force would be there to introduce new products or new

production methods. Without this force or pressure, an economy holds up behind others as a center of innovation and thus loses international competitiveness. For instance, in 2000, as almost 35 different organisations were competing with each other selling computers, the tech-super power, Apple, decided to be innovative, setting itself apart by launching the iPod music player. An iPod was not a necessity at that time, yet it soon became a device consumers suddenly could not live without. A brand new gadget suddenly became a must have on the wish list of every music lover. Thus, many competitors in the computer market pushed Apple to explore and spark innovation, thereby benefitting millions and millions of consumers.

Porter, (2008:133) further discloses the fourth benefit of competition as that which fosters restructuring in sectors that have lost competitiveness. According to Porter, It is hard for governments to determine which sectors are to be restructured in the economy, which organisations in those sectors should remain or cease to exist, and when is the right time to engage in such restructuring. Governments are, therefore, subject to political constraints and pressures which, more often than not, always lead to sub-optimal decisions. The process of competitiveness, is impartial. Thus decisions are made based on market factors, such as demand, product uses, costs, technologies, rather than the incomplete information in the possession of government bureaucrats.

The competition leads to money and resources flowing away from weak, uncompetitive sectors and organisations towards the strongest, most competitive sectors, and to the strongest and most competitive organisations within those sectors. In these ways, the operation of the competitive process makes decisions on restructuring clear, and leads to the strongest and most competitive economy possible (Porter, 2008:133).

Porter (2008) further explains that competition gives us the right of selection, as companies constantly try to outdo their competitors by introducing newer and better goods and services. With an array of different companies making the same products, consumers can freely choose what brand they want to go with, without being compelled or coerced to give in to the dominant brand(s). For example, the automobile

market in Uganda, 30 years ago, Fiat and Ambassador were the only two car manufacturers in India. Possessing such a dominant position in the market, these two companies had no incentive to improve the quality or features.

4.5 THE ART AND SCIENCE OF COMPETITION

Competitive advantage is a critical success factor for a small or new, emerging business venture. For a competitive advantage to be successful, entrepreneurs should develop a competitive advantage that can be sustainable over a period of time. Brown Hilder, (2011:188-190) states that, by and large, entrepreneurs should not expect the business community to embrace the new business with open arms, instead, savvy competitors will likely defend themselves against the new business venture to prevent from stealing market share from them. This is often seen in situations where market growth stalls, and stops new market entrants from entering and gaining market share without opposition. The market entry stage could be the first critical stage for developing effective competitive advantage and continues to be important all the way through the business life cycle.

Successful market penetration entails that new entrants develop a sound strategy that serves as an entry wedge, allowing the new business venture toaccess the market successfully and win enough market share to ensure that the business will be earning a profit and prosper.

Business organisations have turned competitiveness into games, much like armies fighting on the battlefield. The global changes in the late 1980s affected relations and understanding of business competition in the world. The organisations that do not develop strategies could be exposed to a market environment in which they may be eliminated, even if they had stayed long enough, are well-known, experienced, and use the latest techniques (El-Hagrassey, 2002:17). For example, General Motor's defeat by the Japanese in the U.S.A automobile market, can be evaluated in this context. Some researchers also indicate that the business world (market) has turned into a battlefield

(Kolar & Toporišic, 2007:37). Beyond being able to compete, the companies need to have sure-competitive and hyper-competitive strategies (D'Aveni, 2005:114). The strategies have become more necessary as they reflect the natural fighting characteristics of market environment. The most suitable word to be used for the present market conditions is "war" (D'Aveni, 2005:114).

Competition can be considered as a war that is fought in order to get a competition advantage among the organisations (Grant, 2005:92). The organisations aim at this war is to have more customers and a better position to maneuver. Similarly, Coulter (2005:206) describes the competition as a war that is fought among the organisations in order to gain more customers and the market share, a large use of scant supplies, and a greater fulfilment of the objectives. Hitt et al. (2005:23), competition is a combination of actions that an organisation develops and implements; a strategy which has more value perception and which is difficult to imitate. From this point of view, the competition can be compared to the actions that are based on mutual attacks and struggles in the battlefield.

Competition strategies are made up of long-term actions which are related to the organisation's ability to obtain a position through which it will gain a profit that is above the sector average. Furthermore, competition strategies also refer to the organisation's ability to cope with five competition strengths (Porter, 1985). These strategies also entail decisions and attitudes which set a high value for the customers through the basic cores that an irganisation has in order to attain a competition advantage (Hitt *et al*. (2005:24),). According to Lee and Carter (2005:92), the competition strategy involves the actions which the organisationtakes to maximize the advantages and minimize the disadvantages against its competitors.

Competition strategies therefore are to provide a sustainable competition advantage for the organisation in the long-term. To do this, a given competition strategy chosen by the organisation should be based on the supplies of the organisation, its strengths and distinctive features, and it should be sustainable, observed by the customers and

difficult to be imitated by the competitors (Morschetta et al., 2006:277). The available literature on competition strategies, explains the common points that strategic thinkers decide on. These common points include, among others, attitudes towards the organisations themselves, their competitors and the environment they are in, such as, evaluating the existing situation, showing the target, positioning and action (Kılınç, Oncu & Taşgit, 2012).

Winer (2001:91), states that developing competitive advantage centers on three key components. Winer (2001) further asserts that competitive advantage must be in position to generate customer value which is firstly defined by the customer in terms of lower price, speedy delivery, convenience, or some other characteristic. Secondly, the improved value of the product or service must be observed by the customer. Regardless of whether the product could be considered superior to the competitor's products might not be as important as whether the customer perceives the product to actually be superior. Intel Corporation recognized this some years ago and began an aggressive marketing campaign, utilizing the phrase "Intel inside", printed on labels and placed on the outside of IBM and other computer companies. Finally, effective competitive advantage requires that every business tactic used, should be difficult for business competitors to copy.

Basic strategy principles imply that business tactics are more difficult to copy provided there is a more sustainable competitive advantage. For example, American Airlines offered customers a Frequent Flyer programme before any other airline, however, that could not be protected by intellectual property. Not long afterwards, virtually every other airline offered a similar frequent flyer programme. New, emerging airlines developed their competitive advantage using business creativity. Southwest Airlines found creative ways to control costs by using secondary airports (such as Newark, rather than New York City) and uses only 737 aircraft while providing Southwest customers an affordable, and yet quality flying experience (Winer 2001: 93).

On the basis of the above illustrations, effective strategy should be based on more than

the marketing mix variables of product, price, place, and promotion. For Box and Miller (2011:29), the majority of small businesses selected differentiation as a basis for their competitive strategy. Equally, sound decision-making cannot be stressed enough.

4.6 ETHICS OF COMPETITION

The willingness of every individual to improve his standard of living creates competition between individuals and organisations, which is the basic source of development in economies (Porter, 1998:77). The state is needed to provide an exact administration of justice to resolve the clashes of interest arising between individuals, and in addition, it must protect their property, without whose enjoyment there would be no motivation to better our condition. This creates the need for business ethics to regulate competition in markets. Business ethics is a form of applied ethics or professional ethics that examines ethical principles and moral or ethical problems that arise in a business environment. It applies to all aspects of business conduct and is relevant to the conduct of individuals and entire organisations (Business Ethics, 2004: 7).

Different governments use laws and regulations to regulate business competitive behaviour in what they perceive to be beneficial directions. Ethics implicitly regulates areas and details of behaviour that lie beyond governmental control. The emergence of large corporations with limited relationships and sensitivity to the communities in which they operate accelerated the development of formal ethics regimes (Parker, Evans, Haller, Le Mire, & Mortensen, 2005:17).

Porter (2000:15) documents that an individualistic competitive market must be made up of freely contracting individuals. As a matter of fact, rather small fractions of the population of any modern nation enter into contracts on their own responsibility. Our "individualism" is really "familism"; all minors, the aged, and numerous persons in other classes, including, for practical purposes, the majority of adult women, have their status-determining bargains made for them by other persons (Porter, 2000:15). The family is still the unit in production and consumption. It is hardly necessary to point out

that all arguments for free contract are nullified or actually reversed whenever one person contracts on behalf of another.

Carroll, (2004:114) recognized that in an ethically high-level society, there exists social security institutions twhich take care of those people, who do not manage in the above described competition. It is a political matter to decide how much taxes should be collected from successful organisations and individuals to take care of the non-successful ones, but if a society wants to be a safe place for its inhabitants, the dispersion of its inhabitants' standard of living should not be too wide. Thus, there is a general idea that, the level of a society can be measured on the basis of how well it takes care of its poorest inhabitants. However, she further justifies that although some form of social security is necessary, it should not decrease the individuals' motivation for competition and distort it, because competition keeps the organisations and the economy effective (Caroll, 2004:116).

Knight, (1923:579) pointed out that it is universally recognized that effective competition calls for "fluidity," the perfect divisibility and mobility of all goods and services entering into exchange. The limited extent to which this assumption fits the facts of life sets limits to the "tendency" of actual competition, which in many cases nullifies the principle. Here, as in the case of other assumptions, it is illegitimate to draw practical conclusions from a "tendency," however real, without taking account of contradictory tendencies also, and getting the facts as to their relative strength. One of the dangers of reasoning from simplified premises is the likelihood that the abstract factors may be overlooked in drawing conclusions and formulating policies that are based on such reasoning (Knight, 1923:580).

Of perfect competition, Knight (1997: 581), emphasizes that one of the most important prerequisites for a perfect competition is complete knowledge of the exchange opportunities that are open to every individual. A "perfect market" would involve perfect, instantaneous, and costless intercommunication among all the traders. This condition is really approximated quite closely in the case of a few commodities dealt

are dealt with in the organised exchanges; but the market, for most consumption goods, is very crude in its workings. He further states that with regards to the productive services, abstract pecuniary capital does, indeed, flow through a highly developed market but the market for labour, land, and real capital, and their uses, leaves wide margins for "bargaining power" and accidental aberrations. Both the organisation of production and the distribution of the product diverge correspondingly from the theoretically ideal results (Knight, 1997:588).

Knight, (1997:588) further points out that competition also requires that every actual or potential buyer of every saleable good or service shall know accurately its properties and powers to satisfy his wants. In the case of productive goods, this means the knowledge of their technical significance. In an industrial civilization, as complex as that of the modern world, it is clear that the divergences from this "tendency" must often be more important than the tendency. Indirect knowledge is available to offset direct ignorance in many subtle ways, and yet no individual can know enough to act very closely according to the ideal of perfect intelligence. Moreover, perfect competition does not stop at requiring the knowledge of things as they are; the competitor must foresee them as they will be, often frm a very considerable distance in the future, and the limitations of foreknowledge are more sweeping than those of knowledge (Knight, 1997:589).

Porter, (2008:201) asserts that the market competitive players must employ its available productive power, in part, to provide for current needs of society and, in part, to provide for future growth. If this second function is to be performed intelligently through individual initiative under competitive organisation, each member of the system must make a correct comparison and choice between his own present wants and future social requirements.

Porter (2008:201), furthermore, explains why individualism and competition cannot bring about the ideal utilization of social resources. In addition, competitive system distribution is affected by a marketing process, the evaluation of productive services

and is subject to all the limitations of marketing in general, as enumerated in the previous pages. However, it is a common assumption for which the exponents of the "productive theory" are partly responsible that productive contribution is an ethical measure of desert. This has, unfortunately tended to bring the theory itself, as a causal explanation of what happens in distribution, into disrepute because those who are misled into accepting the standard, but cannot endorse the result that is realized, react by attacking the theory.

4.7 COMPETITIVE ADVANTAGE

Li *et al*. (2006: 111) contends that the idea of competitive advantage can be defined as the "capability of an organisation to create a defensible position against its competitors". In agreement, Tracey *et al*. (1999) suggests that competitive advantage comprises distinctive competencies that set an organisation apart from competitors, giving them an edge in the marketplace. Competitive advantage conservatively involves a choice of the markets in which an organisation would compete, defending market share in clearly defined segments, using price and product performance attributes. At the moment, however, competition is considered a "war of movement" that depends on anticipating and quickly responding to changing market needs. Competitive advantage emerges from the creation of superior competencies that are leveraged to create customer value and achieve cost and/or differentiation advantages, consequential in market share and profitability performance (D' Souza, 2002:476). Sustaining competitive advantage requires that organisations set up barriers that make imitation difficult through continual investment so as to improve the advantage, making this a long-run cyclical process. Porter's (1991) approach to competitive advantage centers on a firm's ability to be a low- cost producer in its industry, or to be unique in its industry in some aspects that are popularly valued by customers (Porter, 1991).

It has been noted that most managers agree to the fact that cost and quality continues to remain the dimension of competitive advantage of an organisation (D' Souza & Williams, 2000:579). They also further suggest cost, quality, dependability and speed of delivery, as some of the significant competitive priorities for manufacturing. To them, there is also widespread acceptance of time to market as a source of competitive advantage. Price/cost, quality, delivery dependability, and time to market have been consistently identified as important competitive capabilities (Vokurka et al., 2002:90). 'Time' has been found to be one of the dimensions of competitive advantage in other research contributions (Thatte, Rao & Ragu-Nathan, 2013:506).

In a research framework, Thatte (2007:117), describes the following five dimensions of competitive capabilities: premium pricing, competitive pricing, value-to-customer quality, trustworthy delivery, and product innovation. These dimensions were further described and utilized in other contributions as well. On the basis of these studies, these five dimensions of competitive advantage construct used in this study are price/cost, quality, delivery dependability, product innovation, and time to market.

4.8 COMPETITION POLICY MAKING

The competition policy can also be defined as a set of laws, regulations and institutions that control the behaviour of a dominant organisation by preventing companies from becoming monopolistic through merges and forbidding anti-competitive behaviour of a organisationin a specific industry (Kahyarara 2008).The literature on the competition policy-making/ law has become a recurrent and rapidly expanding academic research, of late. The debate has gained prominence globally with a number of publications dedicated to this topic.

Tamanaha (2004:57) pointed out that the history of competition law reaches back to the Roman Empire. The business practices of market traders, guilds and governments have always been subject to scrutiny, and sometimes severe sanctions. The two

largest and most influential systems of competition regulation are the United States antitrust law and European Union competition law. National and regional competition authorities across the world have formed international support and enforcement networks.

Taylor (2006:1), defines competition law as a law that promotes or seeks to maintain market competition by regulating anti-competitive conduct by companies. This law is implemented through public and private enforcement. Competition law is known, normally, as antitrust law in the United States and anti-monopoly law in China and Russia. In the previous years it has been known as trade practices law in the United Kingdom and Australia.

Historically, modern competition law has evolved on a country level, to promote and maintain fair competition in markets, principally, within the territorial boundaries of nation-states. National competition law usually does not cover activity beyond territorial borders unless it has significant effects at nation-state level (Taylor, 2006:1). Extra-territorial jurisdiction may be allowed by countries in competition cases which are based on the so-called effects doctrine. The protection of international competition is governed by international competition agreements.

In 1945, during the negotiations preceding the adoption of the General Agreement on Tariffs and Trade (GATT) in 1947, limited international competition obligations were suggested within the Charter for an International Trade Organisation. These obligations were not included in GATT, but in 1994, with the conclusion of the Uruguay Round of GATT Multilateral Negotiations, the World Trade Organisation (WTO) was created. The Agreement Establishing the WTO included a range of limited provisions on a variety of cross-border competition issues on a sector- specific basis (Taylor, 2006:2).

Spiegler, (2012:21), pointed out that competition law is perhaps not the most direct policy instrument to address adverse outcomes resulting from bounded rationality and consumer biases, but in order to intervene under competition law, there must be an

anti-competitive conduct agreement or merger. This, of necessity, limits the extent to which competition policy can be used, since there will not always be such triggers for interference in markets with problematic outcomes.

4.8.1 Role of competition policy

This subsection aims at introducing the reader to the role of competition policies. Competition policies are intended to prevent collusion among organisations and to prevent individual organisations from having excessive market power. Below are the roles of the competition policy in organisations and governments or institutions that use operating under them.

a) Regulates monopoly dominance

Stolyarova and Stolyarova, (2011:368) assert that when organisations hold large market shares, consumers risk paying higher prices and getting lower quality products than compared to competitive markets. However, the subsistence of a very high market share does not always mean consumers are paying extreme prices since the threat of new entrants to the market can restrain a high-market-share price increase by an organisation. The competition law does not make a monopoly illegal, but makes the abuse of power that a monopoly may present, for instance through exclusionary practices, may be deemed illegal.

In the case of United Brands Continental BV vs Commission (1978) it was clear that, it is necessary to determine whether an organisation is dominant, or whether it behaves. If a organisationhas a dominant position, it has a special responsibility not to allow its conduct to weaken competition on the common market". In the same way as with collusive conduct, market shares can also be determined with reference to the particular markets in which the organisationand product in question is sold. Then even though the lists are seldom closed, certain categories of abusive conduct are usually

outlawed under the country's legislation as noted by (Stolyarova & Stolyarova, 2011:367).

For example, limiting production at a shipping port by refusing to raise expenditure and updating technology could be abusive. Tying one product into the sale of another can also be considered abuse too, being restrictive of consumer choice and depriving competitors of outlets. This was the alleged case in Microsoft v. Commission (2004) which lead to an eventual fine of million for including its Windows Media Player with the Microsoft Windows platform. A refusal to supply a facility that is essential for all businesses attempting to compete can constitute an abuse. An example was in a case that involved a medical organisation named Commercial Solvents. When it set up its own rival in the tuberculosis drugs market, Commercial Solvents were forced to continue supplying an organisation named Zoja with the raw materials for the drug. Zoja was the only market competitor, so without the court forcing supply, all the competition would have been eliminated.

b) Mergers and acquisitions

As pointed out by Dash (2010:258) a merger or acquisition involves, from a competition law perspective, the concentration of economic power in the hands of fewer organisations than before. Usually this signifies that one organisation buys out the shares of another. The reasons for oversight of economic concentrations by the state are the same as the reasons to restrict organisations who abuse a position of dominance, only that regulation of mergers and acquisitions attempts to deal with the problem sooner than it arises, ex ante prevention of market dominance.

The law of competition requires that organisations proposing to merge gain authorization from the relevant government authority. The theory behind mergers is that transaction costs can be reduced compared to operating on an open market through bilateral contracts (Guzman, 1998:83). Concentrations can be seen to increase economies of scale and scope. Nonetheless, often, organisations take advantage of

their increase in market power, their increased market share and the decreased number of competitors, which can negatively affect the deal that consumers get. Merger control is concerned with predicting what the market might be like, not knowing and making a judgment. Therefore, the central provision under EU law asks whether a concentration would, if it went ahead, "significantly impede effective competition... in particular as a result of the creation or strengthening of a dominant position..." (Art. 2(3) Reg. 129/2005) and the equivalent provision under US antitrust makes a similar observation (Guzman, 1998:83).

c) Intellectual property, innovation and competition

The law of Competition is becoming increasingly intertwined with intellectual property, for example, copyright, trademarks, patents, industrial design rights and in some jurisdiction trade secrets (Promoting Innovation and Competition Report, 2007). On the one hand, it is believed that enhanced innovation, through the enforcement of intellectual property rights, promotes competitiveness, though there may be contrary consequences. The question rests on whether it is legal or not to acquire monopoly using the accumulation of intellectual property rights, in which case, the judgment has to decide between giving preference to intellectual property rights or towards enhancing competitiveness. Should antitrust laws accord special treatment to intellectual property? Should intellectual rights be revoked or not granted when antitrust laws are violated?

As pointed out by Hertzfeld, Link and Vonortas (2006:13), there are also concerns which arise as a result of anti-competitive effects and consequences. This is due to intellectual properties that are collaboratively designed but have the consequence of violating antitrust laws (intentionally or otherwise). In addition, there are effects on competition when such properties are accepted into industry standards. These are: the cross-licensing of intellectual property and the bundling of intellectual property rights to long term business transactions or agreements to extend the market exclusivity of

intellectual property rights that are beyond their statutory duration and trade secrets, if they remain a secret, having an eternal length of life.

4.9 GLOBAL COMPETITION

Business practices all over the world have been triggered by globalization today. Many Companies like Philips, Coca Cola, Samsungand Nokia, have begun to outsource specialists from other different parts of the world. This has caused job shifts and changes in the structures of the companies so as to compete favourably in the global market (Engardio, Bernstein, and Kripalani, 2003:96). Alliances among automakers, has been the result of global competition (GM-Ford- Daimler Chrysler, Ford-Mazda, and GM-Honda), petroleum manufacturers (NUPI-Chevron Texaco, BP-Mobil), and airlines (star alliances) are other examples of changes that are driven by this phenomenon. In modern world, businesses are gradually affected by the actions of international competitors due to the process of globalization (Mojmir, 2000:25). Globalization can be defined as the process of international integration which arises from the interchange of products, world views, ideas and other aspects of culture (Al-Rodhan & Stoudmann 2006:6).

The Global Competitiveness Report (2014-2015:252) noted that the global market place is changing rapidly and rivalry is fierce, more than ever. United States of America and European rivals are being manifested by organisations in Asia in an array of industries. Currently, Switzerland is the leading country which is followed by Singapore placing United States of America, in the 3rd position in business global competitiveness. It further identified businesses like Toyota which will soon exceed General Motors in being the largest auto-manufacturer. Also, the market cap of numerous Indian service companies are now approaching the size of General Motors. The Global Competitiveness Report defines Global competition as the existence of competing organisations that serve international customers (The Global Competitiveness Report, 2014-2015:252).

This increase in the global competition, according to Nosakhare (2000:577) could be the result of the ever-increasing demand and complexity of customers virtually modified the competition rules and required organisations to focus on quality. Nowadays, what triggers competitive advantage is the ability to provide products and services which meet or exceed the customer's needs. In the past few decades, global economic competition has increased. Eugenia (2010: 76) pointed out that organisations are still facing the kind of competition that was not envisioned few years ago. This means that organisationshave to compete with the goods and services that come from around the world and give satisfaction to a more educated and sophisticated customer. This shows that what is satisfactory to the customers today might not be regarded as such tomorrow. This is because in this global changing environment, the customers' expectations are unceasingly changing. Furthermore, the fall-outs of unrestricted global competition have offered customers choices among many alternatives. "At the end of the century, the creation of the global market, the international orientation of management which sweeps national boundaries, the introduction of new technologies and also moves toward strategies that are focused on customers, make the competition stronger more than before" (Ho, 1999:69).

Quality Management (QM) has also been renowned as a wide-ranging management paradigm which promotes organisational performance and competitiveness. Kaynak (2003:420) argues that empirical research shows that quality management practices affect the organisations' performance and competitiveness. Competition has attacked many businesses from which it did not exist a few years ago. The eBay for instance, takes on the main telecommunications organisations over their free Internet phone service which is Skype. The word-processing and email services of Google are taken on by Microsoft and Google's advertising services which is challenging Madison Avenue Companies that are standing out in the global market place and are only focusing on finding ways of differentiating themselves through creating new markets instead of fixating on competitors. Yoffie (1997) documents that in some instances it is more important in today's business environment to be unique rather than to be the biggest player in your industry. An example of a smaller grocery retailer is whole Foods

is which found a profitable niche and brand loyalty amid a group of customers that are interested in a healthier and more eco-friendly lifestyle.

In the marketplace, Competition is constantly evolving and the companies and their leaders who are in touch with the ways that winners are differentiating themselves are going to always stay a step ahead of the competition (Gunther, 2004:137). This has led to companies like Google to instantly survey millions of consumers and businesses who have websites which link with each another. This allows them to produce better search results than their competitors, according to Business Week. The trend that involves mass producing products is also declining.

Gunther (2004:137) further says that many companies that are successful, such as, Dell and Land's End supply customers with computers and clothing that are customized, instead of trying to mass-produce products that appeal to the broadest audience. It is not enough also to segregate your organisation by just being the low cost producer. However, it is important to be efficient so as to remain competitive.

Global competition is inevitable because of the shrinking of business distance so that it is much easier to access markets in far flung parts of the world. For example, an organisation like Cadburys or BIC has production units around the world, giving access to global markets. Fast Internet connections developed by companies enable the shrinking of communication time bringing together buyers and sellers on opposite sides of the globe within seconds. In addition, global marketing and advertising has enabled the development of global brands and the communication of global messages (Morrison, Ricks & Roth, 1992:29).

Although globalization improves a firm's market opportunities, it is also seen to increase the amount and level of competition that is faced by such organisations. Technological developments, Trade liberalization, and union of governmental macro economic policies that are associated with globalization, have made easier for business organisations around the globe to penetrate various geographic markets,

and therefore, intensify the competitive atmosphere for organisations around the Globe (Harvey & Novicevic, 2002:29; Hafsi, 2002:13).

Globalization has changed the competitive terrain that is faced by organisations from both developed and also emerging economies (Nolan & Zhang, 2009). Organisations that are operating at various levels domestic, regional, international and global have begun to compete against each another. Therefore, it is obvious that globalization brought about a new competitive landscape that is referred to as “hypercompetitive markets” (Hitt, Keats, & De Marie, 1998:24), which present enormous threats to organisations in all economic sectors because it makes a firm’s relative competitive advantage so time-sensitive (Harvey & Novicevic, 2002:14). Businesses survival in the new global marketplace requires companies to source goods, services, labour and materials overseas to unceasingly upgrade their products and technology so as to survive increased competition (Brian, 2006).

Additionally, globalization enables consumers to gather information easier, faster, and at lower costs. Therefore, they become well aware of alternative products, and are also ready to switch. Resources are becoming increasingly scarce, given the growing number of competitors (Buxey, 2000:502). Such situations that are hypercompetitive together with scarce resources are harmful to the performance of the organisation. Organisations are now facing less pricing flexibility because of intensified competition and buyers’ resistance, which have led to a lower rate of return (Kotler, 2000:11).

The formation of multinational enterprises (MNE) companies has been due to Global competition. These companies have a worldwide approach to markets and production as well as with business in more than one country. A MNE can also be called a transnational company (TNC) or multinational corporation (MNC). MNCs that are well known include fast food companies such as Yum Brands, McDonald's and vehicle manufacturers, such as, General Motors, Ford Motor Company and Toyota, consumer electronics companies, such as, Samsung, Sony, LG, and energy organisations such

as Exxon Mobil, BP, Shell and many large corporations operate in multiple national markets (Kotler, 2000:222).

4.10 TYPES OF COMPETITION

In the market process, competition is widespread. This is where buyers tend to compete with other buyers and sellers tend to compete with other sellers. When exchanging goods, buyers competitively bid to buy specific quantities of specific goods which are available, or might be available if sellers were to choose to offer such goods. In the same way, sellers bid alongside other sellers in offering goods on the market, competing for the attention and exchange resources of buyers. Competition results from the scarcity of goods, which means that there is not enough to satisfy all conceivable human wants and occurswhen people strive to meet the standards that are being used to determine who gets what (David, 2014:212).

According to Cheminade and Vang (2008:1684), a competitive process in a market area exerts a sort of pressure that tends to move assets to where they are mostly needed, and to where they can be used most effectively for the economy. However, for the competitive process to work, it is good that prices accurately signal costs and benefits. For example, where externalities occur, or oligopolistic situations persevere, or for provision of certain products such as public goods in the market the pressure of the competitive process is reduced. There are different forms of competition in marketthat are practiced by organisations to attract customers and maximize profits as explained below.

4.10.1 Monopolistic competition

Paul (2008:119) defines monopolistic competition as a market situation where there may be many independent buyers and many independent sellers, but competition is defective because of product diversity, geographical disintegration of the market, or

some similar condition. In monopolistic rivalry, companies take the prices charged by their rivals as a given and ignore the impact of their own prices on the prices of other organisations (Poiesz & Theo, 2004:309–338).

This theory included many market phenomena, including product differentiations where each seller carries goods that have some unique properties in the view of the consumer, such as, brand names, special ingredients, accompanying customer services. Thus, the seller may be considered to get a partial monopoly. Also analyzed is oligopoly, characterized by the industry composed of a small number of large organisations that discriminate against monopoly, in which a given item is sold at different prices to different businesses, in which there is a single (monopolistic) buyer. Because the bulk of business in developed capitalist economies is conducted under conditions of product differentiation or oligopoly, the enthusiasm with which the analysis was received was understandable. According to this theory, there are difficult problems that prevented its mixing into the body of economic analysis (Cheminade & Vang 2008:1686).

4.10.1.1 Characteristics of monopolistic competition

a) Many organisations

Samuelson and Marks (2003:379), state that in the market economy, many organisations in each monopolistic competition of product group and many organisations on the side lines prepared to enter the market. Samuelson and Marks (2003) defined a product group as the collection of similar products. Due to the fact that there are many companies gives each MC organisationthe freedom to set prices without engaging in strategic decision making of the prices of other organisations and each organisation's actions have a negligible impact on the market. For instance, an organisation could reduce prices and increase sales without fear that its actions will

prompt retaliatory responses from competitors. Moreover, the higher the degree of product differentiation, the more the organisation can separate itself from the pack, the fewer organisations there will be at market stability (Perloff, 2008:88).

b) There is no entry and exit costs

Perloff (2008:34), points out that there are no entry and exit costs. He says that there are many organisations waiting to enter the market economy, each with their own different product or in pursuit of positive profits. If there is an organisation that is unable to cover its costs, it can leave the market without incurring liquidation costs. This means that there are low startup costs, no sunk costs and no exit costs.

c) The Independent decision making

Colander (2008:567) argues that in monopolistic competition organisations set their terms of exchange for their product independently. The organisation gives no consideration to what effect its decision may have on participants. According to this theory, any action will have such a negligible effect on the overall market demand that an MC organisation can act without fear of prompting heightened competition. Thus, each organisation is free to put prices as if it were a monopoly rather than an oligopoly.

d) The market power

Goodwin, Burke, Wildman and Salas (2009:17) cite that organisations have some degree of market power in monopolistic competition. The term 'market power' means that an organisation has control over the terms and conditions of exchange. An MC organisation can increase its prices without losing all its customers. The organisation can also lower prices without triggering a potentially ruinous price war with competitors. The source of an MC firm's market power is not barriers to entry since they are low. Rather, an MC organisation has market power because it has relatively few competitors, who do not engage in strategic decision making and the orgarnisations

sell differentiated products (Perloff, 2008:34). Market power also means that an MC organisation faces a downward sloping demand curve. The demand curve is highly elastic although not "flat".

4.10.2 Perfect competition

The term perfect competition refers to an industry with many organisations, each selling the same goods. In this situation, many market structures meet the following five criteria: all organisations sell identical goods; all organisations cannot control the market price of their prothey are price takers; all organisations have a relatively small market share; buyers have complete information about the product they sell and the prices are charged by each firm, and a manufacturing organisation is characterized by freedom of entry and exit. Perfect competition is sometimes known as pure competition.

Cramton (2004:11) defines stiff competition as the theoretical market structure where it is primarily used as a benchmark against which other, real life market structures are equaled. The industry that most closely looks like perfect competition in real life is the agriculture sector. Perfect competition is the opposite of a monopoly, in which only a single organisation supplies a particular good or service, and that organisation can charge whatever price it wants because consumers have no alternatives and it is difficult for would-be competitors to enter the marketplace. In perfect competition, there are many buyers and sellers, and prices reflect demand and supply. Also, consumers have a lot of substitutes if the good or service they wish to buy becomes too expensive or its quality begins to fall short. New organisations can easily enter the market, generating additional competition. Businesses earn just enough profit to stay in business and no more, because if they were to earn excess profits, other companies would enter the market and drive profits back down to the bare minimum (Nyadat, 2014:7).

In today's economy, the market competition differs from the textbook model of perfect competition in many ways. Real organisations try to make their products different from those of their competitors. They promote to try and gain market share. They cut prices to try to take customers away from other organisations. They raise prices in the hope of increasing profits. And some organisations are big enough to affect market prices. But the perfect competition model is not an ideal that we should try to achieve in the real world.

4.10.3 Oligopoly

Perloff (2008:445), defines oligopoly as a market type in which a market or organisationruled by a small number of sellers. Oligopolies can come from various forms of collusion which reduce competition and lead to higher prices for consumers. Oligopoly has its own market structure. With less sellers, each oligopolistic is likely to be aware of the actions of the others. According to Perloff (2008), the decisions of one organisationtherefore influence and are influenced by the decisions of other organisations. Strategic market planning by oligopolists needs to take into account the likely responses of the other market participant (Hirschey, 2000:451).

4.10.3.1 Characteristics of oligopoly

The main aim of the oligopoly market is to maximize profits and oligopolies are price - fixers rather than price takers (Negbennebor, 2001:112). In the oligopoly, the organisationcan retain long run abnormal profits. High walls of entry prevent sideline organisations from entering market to capture excess profits.

a) Entry and exit

Hirschey (2000:451) points out that in oligopoly market stops the organisations from joining due to high prices. The most important walls are, government licenses, economies of scale, patents, access to expensive and difficult technology, and strategic actions by incumbent organisations designed to discourage or destroy nascent organisations. Additional sources of barriers to entry often result from government regulation favouring existing organisations and make it difficult for new organisations to enter the market (Negbennebor, 2001).

b) Number of organisations

In oligopolistic markets there are a "Few", a "handful" of sellers. There are so few organisations that the actions of one organisationcan influence the actions of the other organisations (Negbennebor, 2001:114).

c) The product differentiation

Products under oligopoly may be homogeneous (steel) or differentiated (automobiles) (Negbennebor, 2001:114) and organisations have perfect knowledge of their own cost and demand functions but their fellow firm's information may be incomplete. The buyers have just imperfect knowledge of price, cost and product quality.

d) Interdependence

The distinctive feature of an oligopoly is interdependence as reported by Melvin and Boyes (2002:267). Oligopoly organisations are typically composed of a few large organisations. Each organisation is so large that its actions affect market conditions. Hence, the competing organisations will be aware of an organisation's market actions and will respond appropriately. This means that in contemplating a market action, a organisationmust take into consideration the possible reactions of all competing organisations and the firm's countermoves (Colander, 2008:288). For instance, an

oligopoly which is considering a price reduction may wish to estimate the likelihood that competing organisations would also lower their prices and possibly trigger a ruinous price war or if an organisation is considering a high price increase, it may want to know whether other companies will also increase their prices or hold existing prices constant. This high degree of interdependence and the need to be aware of what other organisations are doing or might do is to be contrasted with the lack of interdependence in other market structures.

In the perfectly competitive (PC) market, there is no interdependence because no organisationis large enough to affect market price. All organisations in a PC market are only price takers, as current market selling price can be followed predictably to maximize short-term profits. In a monopoly, there are no competitors to be concerned about. In a monopolistically-competitive market, each firm's effects on market conditions are so negligible that they can be safely ignored by competitors (Bresnahan, & Reiss, 1990:85).

e) Non Price Competition

Here, the oligopolies tend to compete on terms other than price. Loyalty schemes, advertisement, and product differentiation are all examples of non-price competition.

4.11 OVERVIEW OF TYPOLOGY OF COMPETITORS

Chen and Miller (1994) define typology of competitors as the classification of the interaction of competitors to move and counter moves within an industry, which involves competition dynamics such as the impact of the initiator, the competitive attack, the competitive environment, the responder, and competitive response, often testing interactions between these factors and the industry performance. In highly competitive markets, organisations are being forced to come together to their

customers in order to increase and even to maintain their business and to create value-adding solutions to capture more revenue from their customer base (Thompson 2000; Galbraith 2002:552).

The outpouring in the interplay of competitive moves and countermoves within commercial environment by different corporations has led to the different competitor widely different responses, such as, competitive attacks, strategic changes, often testing relationships between these factors and organisation or industry performance, (Smith, Ferrier & Ndofor, 2001:74). According to Chen and Hambrick (1995:14), small organisations tend to attack more often, but big organisations are more likely to respond when they are attacked. This attack/response dynamic tends to hurt industry profitability, though the most aggressive organisation suffers the least. Competitive businesses are redolent of a Red Queen effect, where successful competitive attacks lead to faster and more strong competitive responses and ultimately a reduced performance gain for the attacker (Grimm & Smith, 2008:22).

These competitor actions, in turn, change into competitive rivalry in which companies continually launch new competitive initiatives in the form of new competitive actions in order to enhance their competitive position and, thus, performance of their competitors. What keeps the process of creative destruction from reaching stability is the fact that no organisation can maintain its once-successful competitive position without coming under attack and, eventually, being surpassed by competitor(s). Thus, as companies are constantly engaged in rivalries and competitive activity, in the form of competitive actions, the market process is continually changing. This is seen, according to von Mises (1949:258), where the line of reasoning is close to the notion of Red Queen competition in organisational ecology. Hansen, (1996; 2005:67), state that constant development (competitive advantage-seeking actions in the case of competitive dynamics) is required for an organisation to maintain its relative fitness vis-à-vis its constantly changing environment, that is, competitive environment.

Therefore, within competitive typologies, the use and disuse of competitive actions by organisations is viewed as the central factor in explaining the success and failure of companies. Hence, in order to understand the nature and process of competition between rivals companies, one has to inspect competitive activity, how companies exchange competitive actions. Chen and MacMillan (1992:541) put it compellingly when they say: "if scholars are ever to understand the complexity of competitive rivalry, it is important to move the level of analysis down to the basic building block of competition. This is in line with Caves' (1984:127), call for examining rivalries moves among incumbent procedures. According to Barnett and Hansen (1996:139) this research is challenging in a normative sense, from an ecological perspective. Furthermore, competing organisations often engage in complex strategic interactions, with outcomes depending not just on what an organisation does, but on what an organisation does given what another will do.

An organisation's competitive position creates a requirement for a particular new knowledge; however, its existing knowledge resources simultaneously create opportunities and constraints, hence the requirement to generate strategies to coordinate these competing demands (Zack, 1999:136). While there are diverse typologies of competitors (Gold, 2001:52), two competitors' typologies that have emerged for the purpose of this study include the typology of competition aggressiveness and typology of competitive innovativeness.

4.11.1 Competitive aggressiveness typology

According to Lumpkin and Dess (1996:148), competitive aggressiveness as the firm's propensity to directly and intensely encounter its competitors so as to achieve entry or improve position, that is, to *outperform* industry rivals in the marketplace. In divergence with proactive pursuit of new markets made possible by value innovations, competitive

aggressiveness emphases on threats imposed by competitors and battles over existing customers. Awareness entails either preempting the rival's strategy through a competitive move or reacting to the rival's competitive actions. Lumpkin and Dess (1996) further state that competitive aggressiveness involves the willingness to be unconventional rather than rely on traditional methods of competing. Ferrier, Fhionnlaoich and Smith (2002) suggest that competitive aggressiveness involves a high speed action as well as the ability to simultaneously conceive of multiple attacks using varied repertoires (Ferrier, *et al.* 2002:68).

The foregoing description represents a rich image of competitive aggressiveness. An organisation's high competitive aggressiveness include intensive, forceful, and combative, implying the willingness to plot and execute competitive actions as the organisationdirectly challenges rivals. The anticipated outcome of these competitive strategies is clear, and that is a higher level of presentation than their rivals as organisations engage in the incessant race to get ahead or to keep ahead of one another (Kirzner, 1973:20).

4.11.2 Philip Kotler´s Model on four (4) positions in a market

Kotler (1981) contends that within any industry, players react to competition differently. There are different categories of market reaction, namely, market leader, market challengers, market followers and market niches.

Table 4.1: Model on Four Positions in a Market

The market leader	Increasing the total market	• New users • New users • increased users
	Defensive market share	• Situation defense • Flanking defense • Pro-active defense • Counter offensive

		defense • Mobile defense • Contraction defense
The Market Challenger position	• Forward Attacks • Neighboring Attacks • Encirclement • By passing • Guerrilla Attacks	
Follower Market position	• Cloner • Imitator • Adapter	
Market place Niche	the Low the volume, the High the margin	
	Specialization & Differentiation	

Source: Kotler (1985:532-535)

These players are guided by their business rules of confrontation (Ross 2003). The choice of competitive reaction depends on their business rules, size, strategic intent and resource capacity. Kotler (1981) believed that competition is inevitable in any market based economy. Therefore, organisations can select from a multitude of different market policies to accomplish their offensive objectives. The market challenger strategies aim at gaining market share to become the leader by eventually attacking the market leader, attacking other organisations of the same size and by attacking smaller organisations. The frontal attack at the market economy occurs when an organisation takes all of its forces and places them directly opposite of the opponent. For a organisationto use the frontal attack it should be a large organisationor an asset of the organisationin an industry. These organisations must have substantial resources and significant competitive advantages through their products and services. Frontal attacks that focus on the limited price and value as a cost and quality based frontal attack and the pure incomplete frontal attacks focus on exact customers and tries to lure them away from competitors (Muhlbacher *et al.*, 2006:132).

Kotler (1985) suggest that the frontal attack strategy also involves matching the competitor's product in all areas of marketing. This means that the product's price,

promotional tools, and other attributes of the product are matched against other competitor's marketing mix elements.

In flanking attack, an offensive marketing strategy utilizes the competitor's weaknesses. Yannopoulous (2011) argues that flanking attacks are founded on the principle of path of least resistance, attacking competitors in areas which they are least capable of defending. This is usually done through developing product features or a service tailored to the needs and preferences of the target customers together with the appropriate promotional and pricing policy to quickly build the selected brand (Muhlbacher *et al.,* 2006:132).

The encirclement strategy involves the organisationlooking at many smaller untapped or undeveloped segments in the market at the same time, (Walker *et al*., 2003:234). The idea of this strategy is to surround the main competitive brand with a variety of offerings aimed at several peripheral segments. Hug attacks the competitor from all sides simultaneously. To Kotler (1981), the two types are: market and product encirclement.

According to Muhlbacher *et al.* (2006) and Burhan (2013), three types of bypass strategies are considered, including developing new goods, expanding into unrelated products and expanding into new topographical markets for existing products. One reason companies use by pass strategy is the large amount of congestion in the competitive battle ground.

4.11.3 The competitor typology within a business competitive environment

According to Kulasekaran and Shaffer (2002), there is no business that can be everything to everyone, the biggest pitfalls that many entrepreneurs stumble into, is

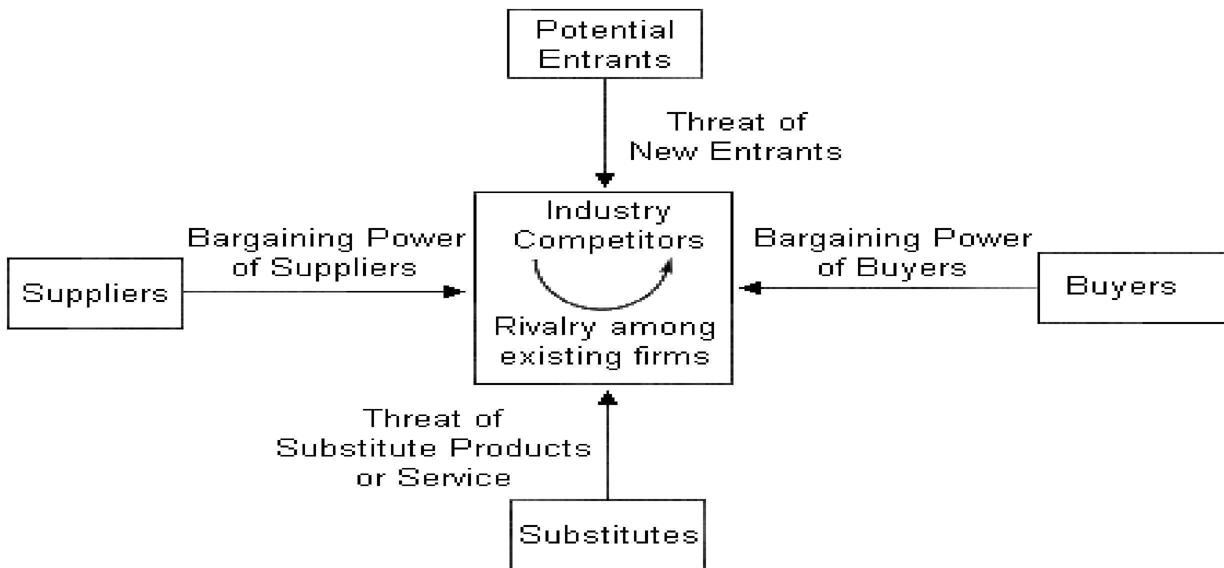
failing to differentiate their companies from the crowd of competitors. Companies often face the challenge of setting their companies apart from their larger, more powerful participants who can easily outspend them by using their creativity and the special abilities their businesses offer customers. Developing core competencies does not necessarily require an organisationto spend a great deal of money. It does, however, require an entrepreneur to use creativity, imagination, and vision to identify those things that it does best and that are most important to its target customers.

Businesses have a large number of ways to form a competitive edge, but building strategy around an organisation's core competencies allows it to gain a sustainable competitive edge on the basis of what it does best. In developing a strategy for establishing a competitive advantage, small companies have a variety of natural advantages over their larger competitors. Small organisations often have thinner product lines, more clearly defined customer bases, a special connection with their customers, and specific geographic market areas. Business persons are usually in close contact with their markets, giving them valued knowledge on how best to serve their customers' wants (Kulasekaran & Shaffer, 2002). Because of the simplicity of their organisation structures, small business owners are in touch with employees daily, often working side by side with them, allowing them to communicate strategic moves first-hand. Consequently, small businesses find that strategic management comes more naturally to them than to larger companies with their layers of bureaucracy and far-flung operations (Kulasekar & Shaffer, 2002).

4.11.4 Porters five-forces model of competition

Porter (1985) developed a model that helps to examine the competitive environment. Accordingly, there are five forces in a business industry and these forces directly affect profits. They include suppliers' bargaining power, customers' bargaining power, the threat of possible new entrants, threat of extra products and competitor rivalry.

Figure 4.1: Porter's five-force model of competition



Source*:* Porter (1985)

According to Porter (1985), each of the five services in the competitive environment can intimidate the profitability by reducing the margin and even reducing the number of sales. The dominant customers can shrink the margin by pressuring the organisationto lower the sales price or to increase the quality before the product is bought at a given price. Yet, increasing the quality raises the costs and boosts the total cost of producing the product thus shrinking the profit margin.

Even then, high yield suppliers can cut the margin by increasing the cost of supplies which raises the total costs (Porter, 1985:146). A substitute product can shrink the margin because people are willing to buy the substitute brands. Therefore, an organisation must improve the quality, engage in luxurious marketing tactics and cut the price to compete and preserve the sales (Da Rocha & Dib, 2002:62). Kovacic (2004:161) warns that a threat of entry reduces the margin because strengthened competition often means that a organisationmust respond with lower prices, more marketing and/or better and more costly quality.

Porter (1980) considers blockades to entry which include; product differentiation, capital requirements, economies of scale, switching costs, access to distribution channels, cost advantages independent of scale, government policy and expected

retaliation. The intensity of rivalry among existing competitors depends on the balance of competitors, the size of fixed or storage costs, industry growth, the amount of differentiation or switching costs, the minimum size of investment, the type of competitors, the strategic stakes, and the size and type of exit barriers, substitute products offer alternatives and limit the size of profits. Substitutes also depend on price and the ease of switching costs.

The bargaining power of buyers depends on the volume of purchases relative to the sellers' volume. The fraction of cost the purchase represents the degree of calibration of the buying, the level of exchanging costs, the level of profits, the threat of backward integration, and the importance of its quality. The bargaining power of suppliers mirrors that of buyers. Therefore, Porter's model is used to predict that, with increased powerful the force, more increased force results in reduced profits of competitors in the industry. It is therefore assumed in this study that within the five forces, companies will always at least have a competitive force. It is therefore in the interest of this study to identify which force mostly prevails in the Ugandan environment, the nature of reaction made and how this relates to organisationperformance (Porter, 2008:89).

4.12 NATURE OF INDUSTRY COMPETITION AND APPLICATION OF BUSINESS RULES

The nature of each business operating among a set of companies that produces competing products or services is recognized as an industry. The perception of an industry is simple, but it is often confused in daily conversations. Here the term industry does not refer to a single organisation (Yang, 2004).

Usually, differences exist among competitors; each industry has its own set of combat rules governing such issues as product quality, pricing, and distribution. This is especially true for industries that contain a large number of organisations offering consistent products and services. As reviewed from Darin (2011), it was observed that

most service positions in the United States generally offer regular unleaded, midgrade, and premium unleaded gasoline at prices that do not differ substantially from those at nearby places. As a result, breaking the rules and charting a different strategic course might be possible, but may not be wanted. Thus, it is useful for strategic managers to understand the structure of the industry in which their organisations operate before deciding how to compete successfully (Darin, 2011:39).

4.12.1 Competitive actions of attacking a firm's resources

Good actions are the means which organisations use to shift market share and affect relative profit margins. The extant competitive dynamics literature addresses many of the observable and best known competitive tactics employed by organisations. Ferrier, Smith and Grimm (1999:15), categorize competitive actions into the following: pricing actions, product actions, signaling actions, marketing actions, capacity actions, and legal actions. According to the study of Gimeno and Chen (1998) focus on when airlines establish new routes and exit existing routes, is also a form of product action. Directing a rival's resources may be an even more deliberate attack than launching a new marketing campaign. Organisations with origination strategies that pay little attention to rivals may introduce new products with an accompanying marketing campaign. Furthermore, new product marketing campaigns could clearly stimulate demand for an entire industry, making such action something other than a zero sum game (Porter, 2008). One firm's gain is almost certainly another firm's loss. Thus, the more competitively aggressive organisations turn to resource-based competitive moves.

Examining the interplay of competitive moves and countermoves within any industry, competitive dynamics academics have investigated the impact of the motivator, the competitive attack, the competitive environment, responder, and the competitive response, often testing relationships between these factors and organisationor industry performance (Smith, Ferreir & Ndofor, 2001). Chen and Hambrick (1995) found that small organisations tend to attack more often, but large organisations are more likely to

respond when attacked. This response dynamic tends to hurt industry effectiveness, though the most aggressive organisationsuffers the least (Young, Smith & Grimm, 1996:96). Dynamically competitive industries are successful competitive attacks that lead to faster and more strong competitive responses and eventually a reduced presentation gain for the attacker.

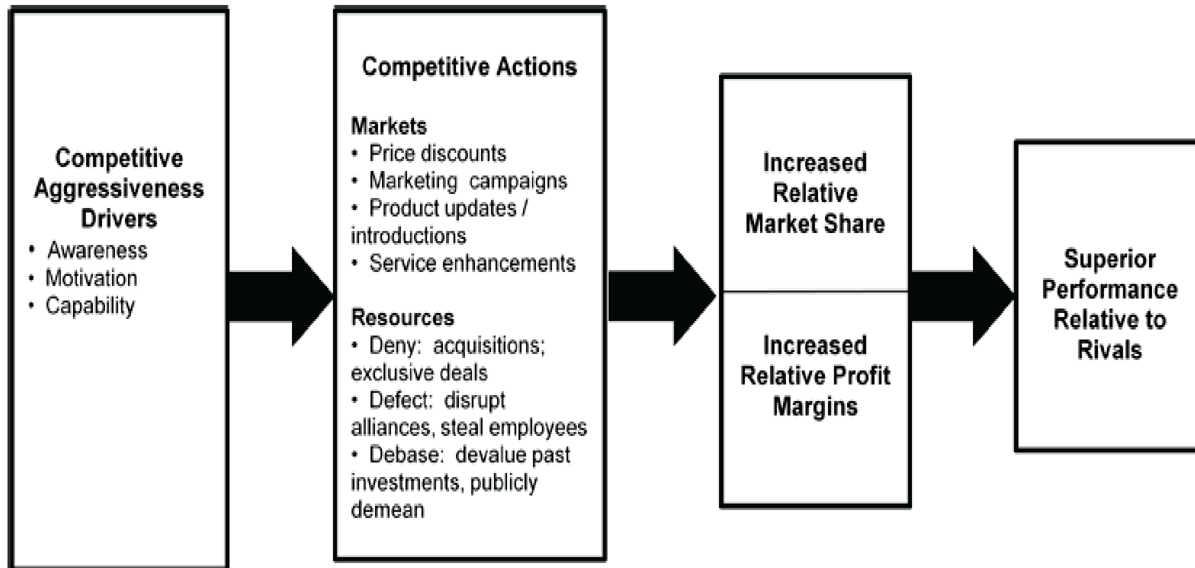
Being competitively aggressive is about the organisations' attentiveness and forceful approach. This defines the current market position while seeking to weaken their rivals' position as reported by Derfus *et al.* (2008:76), who suggest that companies need to carefully monitor and analyze their rivals who may be motivated to improve their performance by attacking those organisations, and are ingenious in their deployment of organisationresources to launch attacks.

Admittedly, a crucial outcome of innovation is also superior performance; the alignment and subsequent practices of innovation are very different from competitive aggressiveness. The attack of a rival's position is not the aim but rather the by-product of innovation, and indeed most radical innovations make the existing competition immaterial (Kim & Mauborgne, 2005:67).

The strategy of competitive aggressiveness carries high risks. Porter avers that price discounting is one of the easiest to employ and most commonly used in competitive actions. However, it is often harmful to the organisationand industry profitability, at least, in the short term. The greatest threat to profitability, though, is taking on a rival's position directly, targeting the same customers with similar products. This is the essence of a competitively aggressive strategy (Porter, 2008). Because the taking of competitive action has potential negative implications for a firm's profitability, an organisation must have a significant strategy when it uses competitive actions to earn superior returns. Developing that strategy requires understanding the mechanisms which link the strategy with superior performance, the enabling actions, and the desired strategic outcomes with their associated costs. (Novikova & Wilson 2013) argues that the concepts of resource based competitive attacks are underdeveloped and proposes

a typology with three attack categories: deny, defect, and debase. From their study, a deny attack entails an organisation trying to lock up a potential resource in order to, either prevent a rival's access to or increase to its rival's costs to access resource. The defect attack is straighter and occurs when the organisation decides to take a resource from a rival and then use the purloined resource. The debase approach differs from a defect attack because it does not take the resource away but weakens the value of the resource. By embarrassing the resource base of a rival, the attacker potentially decreases that firm's future success, as it must invest to upgrade the resource, pay to shift to a new resource, or continue to operate with the devalued, cost inefficient resource and perhaps lose the market share. The figure below is a summary of the major concepts in this segment of the Typology of Competitors and the foundations of competitively aggressive plans.

Figure 4.2: Foundations of Competitive Aggressive Strategies



Source: Stambaugh, Yu and Dubinski (2011)

4.12.2 A Typology of competitive aggressive strategies

Jeffrey and Stambaugh (2011:47) reported that an organisation's competitive actions should flow from a strategy. Furthermore, the logics of innovativeness and competitive ferociousness and build the foundation for a competitive strategy by outlining the economic mechanisms of competitive action which leads to greater performance by companies. As seen on the resource based view of the organisation, they develop three resource based attacks that may be used by competitively aggressive organisations. From this foundation, they derive a typology of several strategies that use competitive actions to achieve sustained competitive advantage.

Similarly as mentioned in Ferrier (2001) reports, that competitive dynamics literature can be defined as certain types of competitive actions as strategic, where strategic actions are typically easy to start or stop and do not reflect a substantial investment of resources, whereas, strategic undertakings imply more substantial investment of resources and a greater commitment to the action by the organisation (Ferrier & Hun, 2002:47).

Jeffrey and Stambaugh (2011:49) argues that a gap exists in competitive dynamics research which relates to a strategic framework for linking competitive actions with possible strategies that achieve set outcomes and have a likely impact on organisationprofitability. In addressing this, Jeffrey and Stambaugh (2011) propose a two-dimensional typology of competitive aggressiveness strategies. In the first dimension of their typology is the relative competitive comparative strength between the attacking organisation and its rival. Compatible with their findings, this construct represents the awareness, motivation, and capability between rivals. For instance, an organisation with same levels of awareness and motivation but with less capability would take more competitive actions than the focal organisationat a comparative disadvantage. Likewise, an organisation may have an advantage in its capability, but is not motivated enough to take competitive actions, though, it possesses a comparative weakness. Although a competitive attack may affect more than one firm, consistent with competitive dynamics research and for simplicity, they assume a dyadic relationship between an attacking organisationand a single rival.

Jeffrey and Stambaugh's (2011) second dimension of the typology is the attack campaign intensity. The construct involves the degree to which an organisationtakes and sustains competitive actions over time to achieve the desired outcome. Ferrier *et al.* (1999) found that in terms of improving the focal organisationperformance, the most important issues used were the attack volume and the duration of the campaign. Using merely the sum of competitive actions, however, fails to consider that economical actions are not necessarily similarly impactful. Attack operation intensity is known to be the significance, the volume, and the duration of a sustained sequence of economical actions directed at the rival.

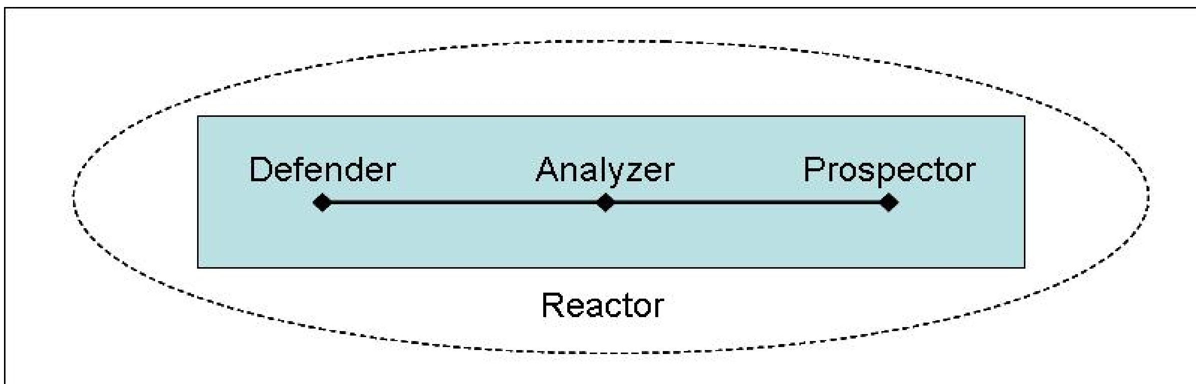
According to Porter (1980) any organisation's competitive performances are a function of its awareness and capability to involve rivals and, if there is a weakness in any of these elements, it could lead to a less than optimal competitive action. Furthermore, the factors associated with industry structure were found to play a leading role in the performance of many organisations, with the exception of those that were failures.

Therefore, one needs to understand these factors from the outset before delving into the characteristics of a specific firm. Porter (1980) proposed a systematic way of analyzing the potential profitability of organisations in an industry.This system is known as Porter's five forces model. According to Porter (1980), an industry's overall success, which is the combined profits of all competitors, depends on five basic competitive powers, the relative weights of which vary in the different industries.

There are critical activities in such a highly competitive environment that have to be taken. These are: how to bundle and leverage resources and capabilities in order to frame an appropriate strategy and facilitate its implementation. The organisations always need to allocate limited resources so as to build their distinctive competences to attain competitive advantages. To deal with rare resources and capabilities Miles and Snow (1978), in their model of 1978, emphasize that organisations are challenged with not only how to exploit and bundle them, but also with the need to deal with competition. The organisations may decide to collaborate with allies in leveraging and bundling the resources and capabilities to attain greater competitiveness. Miles and Snow (1978) further perceive that organisations can allocate limited resources to building their distinctive competences, implementing their strategies, developing closer relationships, sharing resources with collaborators to leverage and bundling them to formulate appropriate strategies.

This implies that the assessment of organisations can assist to develop necessary capabilities which are not owned by them for successfully formulating and implementing the appropriate strategies, (Barratt, 2004:77). The environment of uncertainty impacts the efficiency and effectiveness of business strategies. Therefore, top management must develop the necessary capabilities to obtain competitive advantages according to the degree of competition or cooperation between companies (Sirmon, Hitt, & Ireland, 2007:49).

Figure 4.3: Miles and Snow model on typology of competitors



Source: Miles and Snow (1978)

Miles and Snow (1978) classified organisations within a given industry into four groups: defenders, prospectors, analyzers and reactors. These groups define how an organisation responds to three major problems, which are, entrepreneurial, engineering, and administrative. In order to get better understanding of the impact of rules of business behaviour in a competitive environment, Miles and Snow (1978) demonstrated how the business strategies contribute to competitive advantage in a competitive environment. In his model, three key types of reaction to competition are identified as Defenders, Analyzers, and Prospectors.

Defenders refers to a limited range of products, focus on efficiency and process improvement while prospectors have a broad market domain and tend to lead change in the industry. In addition, the analyzers fall between the above two groups and are likely to follow a second-but-better strategy. Reactors have no consistent strategy and they merely respond passively to environment pressure. Compared with other classification schemes for generic strategies (Abell, 1980; Porter, 1980), the Miles and Snow (1978) approach has been widely supported on account of its strong theoretical orientation and generalizability (Doty, Glick, & Huber, 1993:334; Smith, Guthrie, & Chen, 1989:221).

However, in reality, business strategic types in organisations may not be as ‘pure’ as Miles and Snow predict (Desarbo, Benedetto, Song, &Sinha, 2005:19) and the characteristics of each type may vary across industries (Hambrick, 1983:343). In addition to Miles and Snow’s (1978), two other typical approaches to business strategy were identified in the chapters above. One approach examines a number of ‘components’ of strategy, typically including scope, goals and objectives, resource deployment, identification of competitive advantages and synergy (Hofer *et al.*, 1978; Walker, Rod, Callaghan, Kosmas & Lester 2004). Another approach, called generic strategy or strategy typology, proposes that each business strategy type is “internally consistent” and develops classifications of business strategies. While the former approach is helpful for analyzing strategy at the organisationlevel, (Porter, 1980:24) it believed that a strategy typology approach is more relevant if one’s interest is to examine business strategies at the industry level.

Among the influential strategy typologies are Porter’s (1980) typology, Abell’s (1980) typology and the Miles and Snow typology Miles *et al.*, (1978) as discussed above. Porter’s (1980) typology claims that an organisation can follow only three generic strategies, that is, a cost leadership strategy, a differentiation strategy and a focus strategy. Built on the dimensions of a business scope and the segment differentiation, Abell’s (1980) classification also suggests three possible generic strategies, namely differentiated, undifferentiated and focus strategy.

Miles and Snow’s (1978) typology as earlier stated classifies organisations into four distinct groups, defenders, prospectors, analyzers and reactors, on the basis of how a organisationresponds to three major problems facing it, entrepreneurial, engineering, and administrative problems. Porter (1980); and Miles and Snow (1978) concur that the entrepreneurial problem defines an organisation’s product-market domain; the engineering problem focuses on the choice of technologies and process for production and distribution; and the administrative problem involves the formulization, rationalization and innovation of an organisation’s structure and policy processes.

While each of these typologies has their merits, Miles and Snow's (1978) approach is preferred by many scholars. For the purpose of this study, this strategy has been chosen as an abstract framework ahead of Porter's (1980). This is chiefly because Porter's (1980) scheme is criticized as it "is described in relatively general terms, and seems to be limited to explaining the competitive market behaviour of larger organisations. Abell's (1980) typology is also challenged by (Smith *et al.,* 1989: 63) for its failure to differentiate the "'strategy less' stuck-in-the-middle venture and the ventures that used cost leadership strategies". Compared with others, two important advantages of the Miles and Snow typology are its "extensive detailed theoretical orientation" and its strong generalizability across settings (Smith *et al*., 1989:63).

It is clearly observed from the documentation of Ferrier and Hun (2002), that an organisation can equal a rival via innovation or launching a new marketing campaign. Furthermore, the findings indicate that, focusing on a rival's resources may be an even more deliberate attack than launching a new marketing campaign or product, and is a competitive application of Resource Based View (RBV). One firm's gain via resource attacks may well be a competitor's loss (Ferrier & Hun 2002). Thus, competitively aggressive organisations could focus on resource-based competitive moves to improve their market position.

4.13 NATURE OF COMPETITIVE BANKING ENVIRONMENT

As previewed in the last years, an increasing number of articles investigated that there is competition in the banking environment. Internationalization, worldwide liberalization of financial markets and banking harmonization have raised broad interest in this topic, (Claessens 2009). Competition in the banking sector has a major impact on the wealth of consumers as well as companies and affects the performance as well as the financial health of banks.

Bikker and Haaf (2002:2191-2214) study, suggest that the world banking sector has experienced enormous changes during the last few decades. Marked growth and financial innovation and strong deregulation in the technological sector has led to increased banking concentration and the creation of large financial conglomerates, (Bikker & Haaf, 2002:2191). These structural changes have provoked a vast literature on the topic of banking sector competition.

Hawkins and Mihaljek (2001:10) argue that the banking sector liberalization, financial markets deregulation, financial innovations and merger and consolidation of financial services sector have called for assessing the level of competition in the banking sector. In addition, competitiveness varies greatly across countries, in perhaps surprising ways, and that it is not driven by financial system concentration. Rather, systems with greater foreign entry and fewer entry and activity restrictions tend to be more competitive, confirming that contestability, the lack of barriers to entry and exit determines effective competition.

Claessens and Laeven, (2004:563) explain that competitive banking environment is important for the proper functioning of the economy. Furthermore, the banking sector is the cornerstone of any properly functioning modern economy. Banks, at a micro level, just like any other organisations, sell products to consumers, hence we need to worry about efficiency implications if the banking sector is not competitive. However, banks are much more important than this at a macro level where banks advance credit or loans to both organisations and consumers. Thus an uncompetitive banking sector will lead to an under provision of such credit or loans which may negatively impact the overall economic performance of the country. Further, banks act as the primary conduit of monetary policy. Hence, a low level of competition in the banking sector may hamper the effectiveness of monetary policy as banks may not respond appropriately to monetary tightening and/or easing (Blommaert 2008).

It is for these and other reasons that determining the level of competition in the banking sector has been a topic of interest to academics, policy makers as well as the general public. Despite the importance of such competition research, there have been very few studies of the level of competition in the banking sector. Falkena *et al.* (2004) and Okeahalam (2001) have generally concluded that the sector is highly concentrated due to a few large banks dominating the market. Some economists believe that a high level of concentration shows that the banking sector is suffering from a low level of competition - the so-called structure-conduct-performance paradigm. This study is an attempt at a comprehensive study of the nature of competition in the Uganda banking sector.

Barbosa, Rocha and Salazar (2013:9) postulates that banking operations differ significantly in each of these segments and this has implications for competition in each of them. The retail loan segment, for example, is usually funded by deposits obtained from a widespread network of branches. On the other hand, the study shows that banks that concentrate their activities in the corporate loan segment usually acquire purchased funds (Berger & Kim, 1998). Berger and Kim (1998) further argue that clients in the corporate loan segment are typically more capable of gathering and processing relevant information and that market concentration is also typically stronger in this segment. According to Cooper and Schindler (2007:23), the expectation is that the removal of government controls on interest rates and of barriers to entry into the financial system would lead to greater competition and improve performance of the financial institutions. A number of studies have argued that unless bank behaviour changes, financial liberalization cannot be expected to lead to a significant improvement in the efficiency of the financial system.

Gibson and Tsakalotos (1994:52) pointed out that competitive pressures that results from conditions of free entry and competitive pricing will raise the functional efficiency of intermediation by decreasing the spread between deposits and lending rates.

Although the empirical evidence of a positive and significant relationship between market structure and banks performance yields non-robust results, there is compelling evidence to suggest that market structure plays an important role in altering the performance of banks.

There is overwhelming empirical evidence that high non-financial costs are also a source of persistent inefficiency in banking sector in developing countries. Non-financial costs reflect variations in physical capital costs, employment, and wage levels. High non-financial costs may result from inefficiency in bank operations that may also be shifted to bank customers, particularly in imperfect markets. Dermirguc-Kunt and Huizinga (1999) find evidence of a negative relationship between bank performance and overhead costs. Barajas, *et al.* (2000:25) also find significant evidence of the positive relationship between bank inefficiency and non-financial costs. Macroeconomic instability and the policy environment may also affect the pricing behaviour of commercial banks and therefore their performance. In order to capture the effects of the macroeconomic and policy environment, the bank performance equations include inflation, growth of output and money market real interest rates as control variables. This is examplified the notes of Claessen, *et al.* (2001:17) who maintaned that the banking industry performance and inflation are negatively associated.

4.14 SUMMARY

This chapter provided an analysis of the nature of a competitive environment. Internationalisation, world-wide liberalisation of financial markets and banking harmonization have raised broad interest in the field of competitive literature. Competition in the banking sector has a major impact on the wealth of consumers as well as organisations and affects the performance as well as the financial health of banks.

Three general theories of competition were outlined, namely the classical theory, neo-classical theory and resource advantage theory. The next section highlighted the history, nature and role of competition in an industry. Various other aspects of competition were also discussed such as the art and science of competition, ethics of competition and what a competitive advantage entails. The next sections of this chapter outlined the role of competition law and policy-making and a brief discussion of global competition was provided. The characteristics of various types of competition were also highlighted such as monopolistic competition, perfect competition and oligopoly. An overview of various types of competitor typologies were provided such as competitive aggressiveness, Kotler's model on four positions in a market and Porter's five-forces model of competition. This was followed by a section related to the nature of industry competition and the application of business rules. The last section of this chapter highlighted the nature of the competitive banking environment and how organisations behave in such a competitive environment.

In Chapter five the hypothetical model of perceptions regarding the rules of business behaviour in a competitive banking environment is discussed and the key variables of the study are operationalised.

CHAPTER FIVE

A MODEL OF PERCEPTIONS OF THE RULES OF BUSINESS BEHAVIOUR IN A COMPETITIVE BANKING ENVIRONMENT

5.1 INTRODUCTION

The literature analysis in previous chapters indicated the problems in defining rules of business behaviour with differing views and perspectives depending on the scholar's role and audience. For instance, Weiden *et al.* (2009:34) stressed that business rules can be looked at from different perspectives. From the industry point of view business rules are commands, which impact the behaviour of the business, as a marketing strategy in response to an opportunity.

This field of rules of business behaviour is new to the research world and not so many scholars have investigated it as shown in literature the previous chapters of this study. This is supported by Kovacic (2004:159) who explained that the field of rules of business behaviour has grown in importance and popularity in the last few years However, it must be noted that such new studies usually push social and business research to its limits, and it is difficult for many researchers to resist over-emphasizing their results. Hence, it is the objective of this study to sort out speculation from fact while reviewing the literature.

This chapter discusses the model of the study. It gives an empirical analysis of general models used in rules of business behaviour and their effect on the outcomes of an organisation. The chapter further explains, in detail, the newly developed model for rules of business behaviour in the competitive banking environment. Through the revised model, the chapter shows the link between the model of the study and hypothesis of the study. The hypotheses were developed through basing them on the analysis of variables and justification of the empirical review of the literature.

5.2 THE OVERVIEW OF THE FOUNDATION OF THE MODEL OF RULES OF BUSINESS BEHAVIOUR

On the basis of the literature from diverse scholars on the impact of rules of business behaviour in the competitive environment and its effect on performance of commercial banks, there were three models that were empirically tested to review the patterns of rules of business behaviour in the competitive environment and its effect on performance, employee loyalty and retention of commercial banks in this study.

Porter (1985:147) developed a model that helps to examine the competitive environment. Accordingly, there are five forces in a business industry which directly affect profits. They include customers bargaining power, suppliers bargaining power, high rate competency potential of new comers in the market, fear of substitute products and competitor intensity.

According to Porter (1985:145), each of the five models in the competitive atmosphere may impede the productivity of the product by reducing the margin by shrinking the amount of sales. The potential clients would reduce the margin by encouraging the organisationto reduce sales prices and increase quality before the product is bought at the last price. Yet raising the quality of producing a product reduces the revenue margin. Even then, by cutting the cost of supplies, powerful suppliers reduce the margin which raises the total costs (Porter, 1985:146). Substitute products can reduce the margin because people are willing to buy. Therefore, businesses have to increase the quality, acquire new marketing tactics and/or reduce the price to compete and preserve the sales (Da Rocha & Dib, 2002:62). Kovacic (2004:161), Whiteley (2006a) and Quairel-Lanoizele´e, (2011:79) concur that, due to intensified competition a threat of entry, cuts the income inflow which means companies must respond by lowering rates, attain more marketing strategies, thus reducing the margin. Porter (1980:25) discussed barriers to entry as hindrances that make it difficult to enter a given market.

Sullivan and Sheffrin (2003:153) explained that the barriers to entry included government regulation and patents, or large established organisationtaking advantage of economies of scale and the existence of monopolies or market power. In addition, substitute products offer alternatives and limit the size of profits. In summary, some of the factors which limit entry into market include high incumbent advertising, capital, customer loyalty and control of resources. The bargaining power of buyers depends on the characteristics which are to its market situation and the relative importance of its purchases from the industry as compared with its overall business. Therefore, Porter's model was used to predict that the presence of powerful buyers reduces profit potential in an industry. It was, therefore, assumed in the study that within the five forces, companies should always at least have a competitive force.

This model, however, has shortfalls in the contemporary environment of business. For instance, this model failed to include organisational performance outcomes as one of the forces in the business industry like customer loyalty, customer retention and how possible it is for an organisation to attain the desired outcome.

Kotler (1985:156) presents another model on four positions in a market. This model contends that within any industry, players react to competition differently. There are different categories of market reaction such as market leader, market challengers, market supporters and the rich.This model reveals that in a competitive industry there is a market challenger. This category of challengers employs strategies which are aimed at gaining market share and to become the leader eventually by attacking the market leader, other organisations of the same size and smaller organisations.

This model further explains a category of market leaders. These hold the largest market share in an industry which can use its dominance to affect the competitive landscape and the direction that the market takes. The market leader's companies may be the first to develop a product or service. This allows them to define what ideal product characteristics are, and become ingrained in the market as the brand that consumers associate with product itself.

Additionally, this model explains a category of market followers. This is an organisation that allows other, more dominant organisations to lead the way within the market place that it does business in. For example, market followers keep watch on the marketing strategies of the major market leader organisations and benchmarks in order to improve upon the leader's product releases and marketing efforts. The model further explains a category of market niche. This is the subset of the market on which a specific product is focused. This market niche defines the product features aimed at satisfying specific market needs as well as the price range, production quality and demographics that is intended to impact.

On the basis of the literature analysis, the most successful model in explaining rules of business behaviour was Miles and Snow model. This was a classification of organisations into four groups in a given industry. These groups were defenders, prospectors, analyzers and reactors, depending on how an organisation responds to the major problems facing the organisation. To get a better understanding of the impact of rules of business behaviour in a competitive environment, Miles and Snow (1978) argued that in a competitive environment, business strategies contribute to a competitive advantage which he identified three key types of reaction to competition which include; Defenders, Analyzers and Prospectors.

Miles and Snow (1978) further argue that Defenders' product range is limited with a focus on efficiency and process improvement; Prospectors focus on an extensive market sphere and are inclined to go ahead and change the industry; Analyzers are the group that are between the defenders and prospectors and usually end up following the second but- better strategy; alternatively, Reactors usually swerve strategy and passively respond to environmental pressure. In comparison to other classification schemes, Miles and Snow's approach has widely been supported because of its strong theoretical orientation and generalizability.

Despite Miles and Snow's argument, the organisations' business strategic types are usually not so pure (Desarbo *et al.,* 2005:19) the uniqueness of each differs across industries (Hambrick, 1983:343). With regard to the original depiction of the typology and drawing from the practices of China's real estate industry, (Desarbo *et al.,* 2005:41), came up with four business ideas in which recommended in their findings. These strategies are more or less the same as those of Miles and Snow's strategies.

In addition to Miles and Snow's (1978) strategy, literature does provide two other typical approaches to business strategy which include components such as scope, goal, and objective, resource deployment and identification of competitive advantage and synergy (Hao-Tan, 2012:3). The generic strategy approach is that every business strategy type is internally consistent and develops classifications of business strategies, though the former approach is useful when analyzing strategy at organisationlevel. Walker *et al.*, (2003:12) assert that a strategic typology approach is more pertinent when examining business strategies at industrial level.

- **The Independent Variables**

Confrontational behaviour, cooperational behaviour and typology of competitors are the three independent variables that influence the competitive banking environment

- **The Dependent Variables**

With regards to the modified model, three (3) variables are identified as dependant variables including customer loyalty, customer retention and organisational performance. They are referred to as dependent variables because they are the outcomes of competitive banking environment.

- **The Interactive Moderating Variables**

The variables identified in this model are interactive or moderating and they include perceptions of the competitive banking environment. These variables create a necessary condition that exerts an influence on the dependent variable.

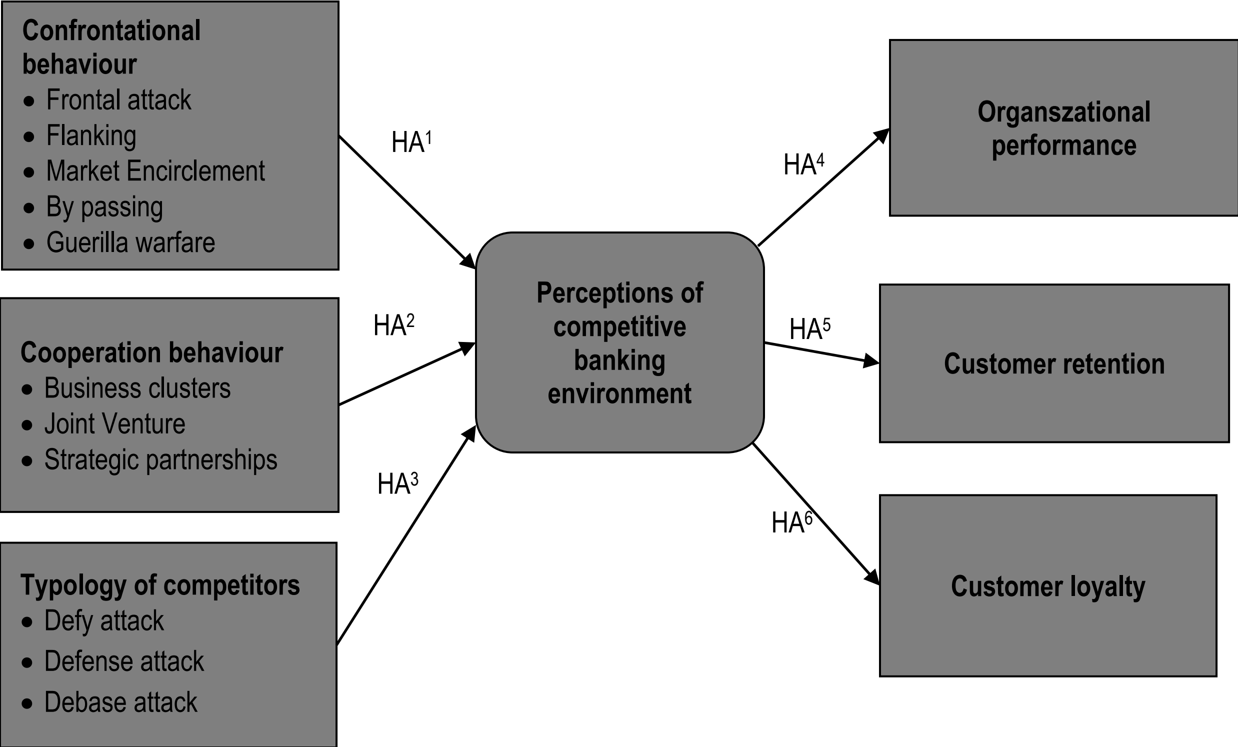
5.3 THE MODELLED RULES OF BUSINESS BEHAVIOUR IN THE COMPETITIVE BANKING ENVIRONMENT

Chapter three looks at rules of business behaviour as a directive from a business perspective proposed to guide business behaviour and support formulation of business policies in response to an opportunity or threat. In addition business rules turn policies into reality (Espedal, 2011:23). Business rules, with proper management, help the organisation to achieve goals, remove obstacles to market growth, reduce costly mistakes, improve communication, complies with legal requirements and increase customer loyalty. A portion of these rules are unwritten, however, they must be followed as ground rules to help achieve excellent customer service (Simpson & Cacioppe, 2001:394). Simpson and Cacioppe (2001:394) further advance that business rules offer course of action on what an organisation can do in detail of rules that must relate to the strategic position and direction of an organisation in a competitive environment. Hence strategy does offer high-level guidelines of what an organisation has to do and business rules are a detailed guidance on how a strategy can be translated to action.

However, it is unclear what business rules are used in the commercial banking sector in Uganda and how these rules affect the banks' outcomes. Hence the conceptual framework depicts the theory of the sequence of cause and effect that eventually leads to a particular problem (turnover and propensity to leave) or, to a positive view (performance, competitive advantage and sustainability), the ultimate result, in particular. In this study the relationships are mapped out in order to develop questions, express testable hypotheses and underlying assumptions more precisely.

Thus, several hypotheses are developed from the expected effects of management perception leading to organisational outcomes.

Figure 5.1: The modeled influences and outcomes of the rules of business behaviour in the competitive banking environment



Source: Researcher's own construction

The theoretical framework of perceptions regarding competitive banking environment and the effects of competitive banking environment in an organisation (depicted in Figure 5.1) serves as the basis for this study. The rules of business behaviour that have influence on and outcomes of competitive banking environment are modelled. These influences are can be divided into confrontational behaviour, cooperational behaviour and typology of competitors.

5.3.1 Confrontational behaviour

According to Muhlbacher *et al*., (2006:366) confrontational behaviour is marketing organisations use when dealing with challenges of competition. Confrontational behaviour includes frontal attack, flanking, market encirclement, bypassing and guerilla warfare. An organisation may find itself losing target market in a competitive environment. However, this is not a zero sum game. Alternatively, the organisationcan triumph over its competitor if its confrontational strategies are properly set. This implies that the firm's rule of business behaviour must contain a statement which indicates when and how to seek confrontation with outsiders such as suppliers, stakeholders, competitors and others (Guthrie, 2001:16).

Muhlbacher *et al*., (2006:366) acknowledge four confrontation strategies that include frontal attack, flanking, market encirclement, and bypassing. These are useful to marketing managers who deal with the challenges of competition in a marketing environment. The global organisation may employ frontal attack as a hostile movement towards the competitor's tactics. Kotler (1981) states that, the frontal attack arises when an organisation decides to take up all their forces and place them directly opposite the opponent. Therefore, for an organisation to employ the frontal attack, it should be a large organisation or an asset of the organisation in the industry. Therefore, the organisation must have considerable resources and major competitive advantages through their products and services. Kotler (1985) postulates that a different type of the frontal attack is the pure limited frontal attack focusing on specific customers by luring them away from competitors. However, if an organisationdecides to apply the limited frontal attack it needs to consider seriously, the specific needs of the targeted customer in order to convince them of the superior benefits of the product. Muhlbacher *et al.,* (2006: 336) further suggest that the price which is based on frontal attack relies on commodity features that are similar to those of the competitors. The focus is mainly on the price of a product to gain more customers.

Another type of frontal attack is the value-based frontal attack which relies on product or service differentiation because of uniqueness rather than price. It is therefore easy for global organisations to achieve competitive advantage since they are engaged in the research and development of their product. They thus generate the differences which establish the organisation's unique capabilities (Kotler, 2001:7). As a result, a value-based frontal attack can succeed only if the firm's products are perceived by the customers and intermediaries in the distribution system, as more attractive than what the competitors are offering. Kotler (2001) suggests that the frontal attack strategy also involves matching the product of the competitor in all marketing areas. This means that the competitor's marketing mix elements are matched with the product's price, promotional tools, and other attributes of the product. In addition, companies need to be prepared to spend huge sums of money when they use pure frontal attack.

A flank attack can be used when none of the brands satisfies the customer needs by major competitors holding strong positions in the primary segments. This is an offensive marketing strategy used to utilize the competitors' weaknesses. Yannopoulous (2011:18) states that "*flanking attacks are based on the principle of the path of least resistance, attacking competitors in areas in which they are least capable of defending*". A global organisation is in a position to capture a considerable share of market size by concentrating, primarily, on one large unexploited section.

The strategy of encirclement is a model where an organisationtargets several smaller untouched or undeveloped sections of the market simultaneously (Walker *et al.,* 2004). In addition the principle of this behaviour entails that the main competitive brand is surrounded with a variety of offerings aimed at several peripheral segments. This strategy is more effective when the market is fragmented into many different applications, segments or geographical regions with somewhat distinctive needs or tastes.

Muhlbacher *et al.,* (2006:337) and Kotler (1985) argue that there are three times of bypass strategy, namely, developing new products, diversifying into unrelated products, and expanding into new geographical markets for existing products. It is fairly easy to develop new products understood by the bypass method rather than copying the leader. Muhlbacher *et al.,* (2006) for example, states that the competitor creates entirely new products, resulting in gaining a bigger market share of the unexploited market. In addition, diversifying into products which are not related is a second type of bypass strategy. Rather than remaining in a single-industry business, the organisationventures out into product lines that are different from their single product. Equally, Kotler (2001:9) maintains that, "*movement into an entirely new geographical market usually allows an organisation to bypass competitors completely*".

Guerrilla warfare is also under confrontational behaviour is. According to Abbasi *et al.*, (2009:35) guerrilla warfare is a marketing tactic in which an organisation uses surprise and/or unconventional interactions in order to promote a product or service. Guerrilla marketing often relies on personal interaction and has a smaller budget, and focuses on smaller groups of promoters who are responsible for getting the word out in a particular location rather than on wide-spread media campaigns as in traditional marketing.

Many new businesses face the challenge of having a limited budget. Therefore, they ought to use creative and unsophisticated marketing methods and usually rely on personal networks to operate successfully and to communicate their existence (Morris & Schindehutte, 2002:241). Gunther (2004) maintains that there is a need for small organisations to develop imaginative marketing methods of low cost, and also be able to acquire a significant impact on the market.

When bank employees are knowledgeable about the different actions from their fellow competitors in the industry, they will understand clients' financial needs and thus be able to practically implement banking procedures and service delivery duties to clients

through the relavant banking systems. Jackson (2003:71) emphasizes the importance of improving knowledge for bank employees which will make the bank prevail over other banks. Furthermore, for banks to compete favorably, they must adopt aggressive means through introducing client based services which are superior to their competitors by offering good quality products at reasonable costs, customising their products and engaging in research and development in order to create new products and services and focusing on customer needs in product markets which are not served by competitors. Therefore this denotes that there is a strong relationship between confrontational behaviour and perceptions of a competitive banking environment. Yannopoulos (2011:11) further argues that established firms continuously faced attacks by new entrants trying to reposition themselves or improve their competitive position and it is easier to defend a position because it requires fewer resources than offensive strategies.

Against this background, It is hypothesised that:

Hypothesis H^1: ***There is a relationship between confrontational behaviour and the competitive banking environment in Uganda."***

5.3.2 Cooperational behaviour

This is a friendly strategy adopted by organisations when they choose not to compete. An organisation, through cooperation, can increase its strengths or weakness with those of partners. Root (1994:119) states that business clusters supply agreements, licensing agreements, joint ventures, and strategic alliances even with competitors as a form of cooperation.

The literature review of this study revealed that organisations do adopt friendly behaviour by the cooperation behaviour strategies. Muhlbacher *et al.,* (2006: 337) accounted that a range of approaches that can be used, such as, joint ventures, changing the "rules of the game" and entering strategic partnerships. For instance, a

“new” product market is created by defining target customers and benefits which are provided to them in a highly sophisticated manner by an organisation.

Japanese Bandai Digital Entertainment for instance, chose to unveil Pippin, a stripped-down Macintosh that they developed with Apple and looked like a video game machine. They offered internet access and CD-ROM, and plugged into a TV set instead of seeking confrontation with PC manufacturers, thereby creating their new market (Muhlbacher *et al.,* 2006:337). There is a possibility that customers may not perceive products of well-positioned companies as directly comparable to each other or else they appreciate the freedom to choose among a variety of offers for different purposes. Therefore, all stakeholders in the market are likely to profit or benefit from it.

As earlier discussed in chapter three, the speedy development of technology and globalization of the market, coupled with the introduction of new products by international markets pushes even the traditionally ardent competitors to enter strategic partnerships. The case in pointis where more than 25 major truck companies, worldwide, joined together in over 300 strategic partnerships which included Peugeot, Fiat, Ford Land Rover and Volkswagen. They all have joint ventures, producing minivans and selling them under the brand names of each partner. Renault and MAN, Europe’s fourth-largest heavy truck producer and Germany’s second-largest heavy truck maker respectively cooperate with General Motors, in another business, to develop and market light commercial vehicles, called panel vans (Muhlbacher *et al.,* 2006:338).

The study perceives that banks should share synergeies on major important policies in order to assist to develop necessary capabilities which are not owned by them alone. This implies that for banks to compete favourably, they have to share effective promotional tools, share technology, and perceive each other as partners in business. This will enable them to succeed as the leverage on sharing resources and collaborating with their competitors. (Barratt, 2004:109) This assertion indicates that cooperation is significant for a competitive banking environment.

Given the research discussions above, it is therefore hypothesised that:

Hypothesis H^2: *There is a relationship between cooperation behaviour and the competitive banking environment in Uganda.*

5.3.3 Typology of competitors

Organisations use this competitive strategy to attack the rival's position. Competitively aggressive organisations are vigilant and forceful and thus challenge their current market position and at the same time seeking to undercut the rivals' position. Derfus *et al.,* (2008:72) recommend carefull and continuous monitoring and analysis of rival organisations by companies. Furthermore, companies should be motivated to improve their performance by attracting the ingenious in their deployment of resources. Sustained performance which is superior to that of their rivals is the preferred end result of the competitive attack. Therefore, an organisation requires the understanding of the mechanisms connecting strategy with superior performance, enabling actions and desired strategic outcomes with associated costs.

The organisations should constantly engage in offensive and defensive marketing strategies as a result of competition (Porter 1980). Porter (1980) argues that, rivalry occurs when one or more competitors either feel the pressure or notice an opportunity to penetrate an industry or better its position within an industry. Furthermore, on its competitors by one organisation, competitive move on its competitors by one organisation provides fertile ground for retaliation by the rival organisation. Thus companies in response to competitor challenge, counter the attack with increasing advertising expenditures by cutting prices, increasing innovation, and introducing new products. Alternatively, they might accommodate the entrant by doing nothing or decreasing the level of marketing effort (Karakaya & Yannopoulos, 2011:14).

The competitive banking environment is influenced by many factors with regards to performance outcomes. The first is the typology of competitive aggressiveness. It is the propensity of the organisation to directly and intensely challenge its competitors in order to achieve entry or improve its position, by out performing industry rivals in the marketplace (Lumpkin & Dess, 1996:148). The three competitive aggressive attack strategies that an organisation can use include defy attack, defense attack, and debase attack.

Price competition between banks leads to banking clients to switch or move to other banks (Nyamakanga, 2007). This occurrence makes banks to react only when their price cuts by other competitors in the industry, training staff by offering loyalty incentives, reacting swiftly to any attacks by competitors and also acting in a manner that creates uncertainities among competitors. This discussion supports the submission that there is a relationship between competitor typology and perceptions of a competitive banking environment.

The following is hypothesised against this background:

Hypothesis H^3: ***There is a relationship between competitor typology and the competitive banking environment in Uganda*.”**

5.4 PERCEPTIONS OF A COMPETITIVE BANKING ENVIRONMENT

Boot and Thakor (2000:688), postulate that banking is imperfectly competitive for example, a bank prices its loans knowing that, even without competition from other banks, it can lose the borrower to the capital market. This allows management to capture the impact of capital market competition on bank loan pricing. The number of banks in the economy can also determinesthe degree of competition among banks.

According to the research findings by Schaeck, Sihak and Wolfe (2009:734) regarding the relationship between bank competition (as measured by the Panzar & Rose, 1987 H—Statistic) and banking system stability, it was found that survival time of banking

systems tends to increase in a more competitive banking environment. However, OECD (2016) argues that studies exploring the complex interactions between competition and stability in retail and commercial banking come to the ambiguous conclusion that competition can be both good and bad for stability.

Schaeck *et al.,* (2009) further suggests that in a cross-country setting competition and concentration, are distinct from each other and that only competitive behaviour of banks impacts on the propability of suffering a systematic banking crisis, whereas concentration does not. Mirzaei and Moore (2014:58) investigated the driving forces of competition in banking sectors by distinguishing banks located in developed emerging and developing countries. The research findings of this study revealed that a more concentrated banking system seems to face greater competition for advanced economies, whereas it would hamper competition for developing economies. Furthermore, developing countries with less state-owned bank assets have a more competitive banking sector.

Kombe and Wafula (2015:9) conducted a research study in Kenya to investigate the effects of cheaper internet costs on performance of commercial banks, 24 hour banking on commercial banks' performance and how customers' ICT competence affects performance of commercial banks. The results of the study indicated that the reduced internet costs lowers transaction costs which attracts potential customers to the bank. Furthermore, lower internet costs creates distinctive competence and leads to enhanced control over banking processes. The study also revealed that cheaper internet costs can lead to extended client base as many potential customers seek value for their money. Kombe and Wafula (2015) further report that with e-banking customers are able to access banks' services around the clock and this creates strategic advantage against competitors hence leading to customers' loyalty and derived sense of security as opposed to over-the-counter banking. In addition, they found that the customers' know-how of ICT positively affects success of internet banking and that availability of ICT devices affects the outcome of internet banking.

Based on the above discussion regarding financial performance measures, further research is needed to investigate in more detail the impact of competitive banking environment on non-financial performance measures of banks in Uganda. Hence a need for this study to focus on aspects such as organisational performance (as measured by sustainability, public image and competitive advantage); customer retention; and customer loyalty.

5.5 THE MODELLED OUTCOMES OF THE COMPETITIVE BANKING ENVIRONMENT

5.5.1 Organisational performance

According to Aluko (2003:172), performance is “the accomplishment of work, tasks or goals as seen from a certain level of desired satisfaction”. McNamara (2010), states that organisational performance is the effectiveness of the organisation in fulfilling its purpose. It thus becomes an important factor when evaluating the operational efficiency of a business. Many contemporary researches have defined organisational performance in terms of success, maximum utility, improvement, accountability, among others (Schiehlle & Morissette 2000:9). However, many have also struggled to get the most suitable way of identifying the right definition of organisation performance, hence making it hard to come up with appropriate indicators of the same. This study, discusses the outcome of rules of business behaviour in terms of the organisation’s performance as measured by market growth, profitability, sustainability and competitive advantage.

Marimuthu, Arokiasamy and Ismail (2009:270) and Khan (2010:159) acknowledge that organisational performance is measured by using used financial and non-financial metrics by several researchers. They explained that profit, sales, and market share make up the financial measures, whereas, non-financial performance include customer satisfaction, innovation, workflow improvement and skills development, leading to a decrease in staff turnover. It is also evidenced that non-financial measures like

productivity, quality, efficiency, and the attitudinal and behavioural measures, such as commitment, intention to quit, and satisfaction, are more related to organisational performance (Small Business Research Centre, 2008:5). Therefore overall organisational performance measures include financial performance (profits, return on assets, and return on investments.), market performance (sales, market share.) and shareholder return (total shareholder return and economic value added). These are the three areas on which performance measurement may be based, according to Richard, Devinney, Yip and Johnson (2009:3).

In general, Leitão documented that the concept of organisational performance is based upon the idea that an organisation is the voluntary association of productive assets, human, physical, and capital resources, in order to achieve a shared purpose (Leitão & Franco, 2010:3). In their argument, they assert that the assets will only be committed to the development of the organisation as long as they are satisfied with the value they receive in exchange, relative to alternative uses of the assets. As a result, the essence of performance is the creation of value.

According to Carton (2004:67), a competition in banking environment has a great impact on the profits and losses of a bank. Banks which realise economic profits usually have a competitive advantage, while those which suffer economic losses are generally at a competitive disadvantage. Carton (2004) further maintains that organisations that earn “normal” returns are in competitive parity with other organisations in their industry. Organisations that continuously earn less than acceptable returns will find that resource-providers will withdraw their assets. However, if and when all resources are withdrawn, such organisations close. In contrast, organisations that generate more than acceptable returns will be able to attract additional resources that are necessary to meet increased demand resulting from their competitive advantage.

As discussed above, banks improve their performance through ensuring that resources are optimally utilised, improving sustainable profitability, increased recognition with

international partners, training staff to improve organisational efficiency and capturing a public image. This indicates that banks improve their services and gradually their profitability. This discussion indicates that there is a relationship between perceptions of competition in the banking environment. As a result of the discussion above, the following is hypothesized:

Hypothesis H^4: ***There is a relationship between competitive Ugandan banking environment and organisational performance.***

5.5.2 Customer retention

Jones *et al.,* (2000) and Colgate *et al.,* (1996) argue that many studies show that a firm's most important asset is its existing client base. Therefore, it is imperative for organisations to keep their existing clients and to ensure that they do not defect to their competitors. Customer retention is the longevity of a client's relationship with a product and the organisation that provides the service (Menon & O'Connor, 2007:157). An organisation convinces their clients to stay with the organisation through effective customer retention (Bruhn & Georgi, 2006:18). Buttle (2004:298) describes customer retention as "the number of clients doing business with an organisationat the end of a financial year expressed as a percentage of those who were active clients at the beginning of the year". Ferrell *et al.,* (2002:105), argue that an organisations' customer retention rate shows the percentage of clients who purchase repeatedly and emphasizes that this number should remain consistent or grow slowly.

Customer retention is an action that a selling organisation undertakes in order to reduce customer defections. Successful customer retention is dependent on the first contact an organisation has with a customer which continues throughout the entire lifetime of a relationship. The ability of an organisation to attract and retain new customers, is not only related to its product or services, but strongly lies in the way it services its existing customers and the reputation it creates within and across the marketplace (Mittal & Frennea, 2012:261).

According to Gouws (2012:17), due to challenges such as massive debt loads threatening the global economy, and stringent regulations put in place as a result of the financial crisis of 2008 which resulted in hindering traditional revenue streams, banks around the world are struggling to maintain their competitiveness. Therefore, banks should strive to create stronger bonds with their customers, establishing a long-term strategy and combining it with greater insight into customer behaviour and attitudes that offer a compelling argument for greater retail banking success. Ranaweera and Neely (2003:37) explained that as banks are making progress in that area, there is a need to identify gap realization between customer wants and needs, on one hand, and the value proposition offered by retail banks, on the other.

Egan (2004:362) argues that, customers find it difficult to evaluate professional services and the benefits of making investments and, therefore, they need to place higher confidence on professional service providers who have a central characteristic, which is a product of the interaction between the providers and the clients (Thakor & Kumar, 2000:14). Therefore, it is essential for organisations to identify factors that are useful in service conception, provider selection and the prediction of customer behaviour in ways that are satisfactory for both the parties that are involved in the relationship. As a result, if one wants to study the success and failure determinants of any relationship, the study of both partners' behaviour in the interactive process is indispensable.

The value and insights gained by combining data analytics and knowledge of bank customers to improve customer retention was highlighted in research done by Saubert (2009:33). These insights help retail banks to provide a value proposition which resulted in the decreased risk of customers defecting. Therefore, instead of banks gathering information to evaluate the perception of customers and trying to understand what makes them decide to stay or leave, the researcher showed that the value and opportunity for retail banks is to make use of their own data analytics to understand which factors make the customer more loyal to the retail bank.

Reed (2006:37) recognizes that the inability of many retail banks to successfully retain their customers results in profit loss and therefore there is much need for retail banks to use customer data to produce actionable insights into reasons for attrition. These valuable internal bank-specific data insights could translate into less acquiring and higher customer retention rates, thus sustaining profits for the retail bank (Reed, 2006:37). The significance of driving customer value and reducing attrition should be underpinned by the careful understanding and analyzing of customer data. Hence, the valuable insight gained becomes the input which creates customized offers and service propositions that would be positively received by customers in this competitive market.

According Winer (2001:332), in building successful relational exchanges with the customers, there is a need to understand customer behaviour and to focus on those customers who deliver long-term profits to the firm. However, no organisation can hold on to all its customers and aim at full customer retention (Egan, 2004:360). This is due to several factors which are the highly competitive markets, customers who may temporarily or permanently switch to another product or service. Furthermore, that it is unprofitable to attempt to achieve total retention of the customers as the cost of doing so is likely to be exorbitant. Egan (2004: 360) urges organisations to know when to cut and run (ibid). Thus, organisations are turning more and more towards seeing customer retention as a strategic tool (ibid). Further, Egan (2004:361) considers customer retention strategies as the strategies which should focus on the organisations' existing customers aiming to secure a customer's loyalty over time.

Nichols (2008:6) suggests that markets and industries are characterized by high competition, and therefore it is necessary for banks in such environments to create new ways of gaining competitive advantage over competitors. In recent studies, strong customer relationships provide more competitive advantages for organisations. Though several studies have focused on relationship marketing, few studies have actually focused on how organisations can create such advantages based on relationships.

Palmatier (2008:93) argues that the essence of marketing is the development of long-

term and value-laden relationships with the customers offering many services. Surprisingly, there is little empirical research which studies the nature and the determinants of relationships in professional services exist.

Therefore, it is evident that customer retention embraces a long-term view, a desire to prevent clients from defecting as well as a means of increasing income by retaining or maintaining existing clients. Therefore, if a bank establishes a successful relationship with its clients, the clients might not want to switch to another bank, and therefore the customer retention of the bank will be higher. However, it should be noted that, the extent of customer retention by an organisation is likely to be influenced by a number variables which include the rules of business behaviour.

Customer retention in banks can be determined by a number of factors such as the technology that banks use for the services to the clients like ATMs, the existance of branch networks, the physical contact between banks and their clients through the client relationship initiatives and the safety of their funds will strongly influence the competitive banking environment. Thus the variety of products and user friendly banking facilities offered will influence the customers to be committed to their bank. This denotes that there is a relationship between perceptions of a competitive banking environment and customer retention.

Therefore in light of the above discussion, it is hypothesised that:

Hypothesis H^5: ***There is a relationship between competition in the Ugandan banking environment and customer retention.***

5.5.3 Customer loyalty

Customer loyalty is a consumer's sustained commitment to an organisationas demonstrated by repeat purchases, an increased amount of money spent in the

organisation and positive word-of-mouth referrals (McMullan & Gilmore, 2008). This definition of customer loyalty is that "*different feelings create a consumer's overall attachment to a product and/or service of a specific firm*", thereby, describing the consumer's cognitive degree of loyalty. Other authors in marketing literature define customer loyalty on the basis of their behaviour. However, on account of the involvement of their feelings and attitudes when considering their loyalty, customer loyalty is difficult to measure.

According to Calik and Balta (2006:135-136), customer retention and customer loyalty are used interchangeably because the authors believe that the advantage of customer loyalty is the fact that it is the retaining of satisfied consumers. In other words, customer retention leads to word-of-mouth recommendations. Thus, they view customer retention and customer loyalty business rule as the same concept.

However, Ennew and Binks (1996b:221) highlight that it is important to differentiate between customer retention and customer loyalty. They see customer loyalty as preceding customer retention. Customer retention is therefore considered as a behavioural construct, while customer loyalty is an attitudinal construct. Thus, Ennew and Binks (1996b) affirm that while attitudes and behaviours are related, a positive attitude (customer loyalty) does not always result in continued support, in other words, in customer retention. It is apparent from the above section that most authors differentiate lightly between customer retention and customer loyalty. Many of the authors regard the customer retention behaviour rule as the ability of a organisationto keep existing clients and customers loyalty as a precedent to customer retention when clients are loyal to a organisationthrough repeat purchases (but still with the possibility of switching to a competitor).

Customer loyalty consists of positive emotional experience, physical attribute that are based on satisfaction and perceived value of an experience which includes products or services. Customers come out as loyal because they continue to buy from a single

seller though their apparent loyalty is due to a lack of good substitutes and they are actually unhappy with the product (Hidalgo *et al.*, 2008:691-696.)

Commercial banks now consider building customer loyalty as a business strategy and not just a marketing programme. Therefore, all businesses ought to seek to increase and maximize the share of customers. The hunt for customer loyalty is continuous and it is more of a journey than a destination. Mimouni-Chaabane and Volle (2010) affirms that focus on loyalty sections will provide strategic and tactical insights that help in building strong brands. The market is divided into several different sectors, consisting of groups of people with similar preferences within the groups, rather than between the groups. Therefore, if an organisation practises loyalty marketing, they must first know who their loyal customers are, which is much easier for many business-to-business marketers than for most consumer goods marketers (Wirtz & Mattila, 2003:649). When consumers choose between different products and services they start by identifying and selecting a set of acceptable alternatives from what is available and go ahead to limit their purchase to these alternatives. This set of possible choices is known as, evoked set or consideration set. The limitation of alternatives to a manageable level enables consumers to make a rational choice (Wirtz & Mattila, 2003:650).

Meeting customers' needs at once is difficult. Therefore, prioritizing certain customers and their needs are essential. Meeting the most important needs of the most important customers is referred to as competitive survival. Therefore, by meeting the needs of customers whose needs are not being met by competitors, an organisation can achieve a competitive advantage (Stone, Woodcock & Machtynger 2000:65). Gustavson and Lundgren (2005:8) argue that a high degree of marketing orientation often generates good results if it is applied to certain sections. Hence the two main strategies companies employ when it comes to the organisation's relationship with their customers are offensive and defensive strategies. The offensive strategy applies to the companies' intent to attract new customers and the defensive strategy applies to the companies' intent to keep existing customers.

Gustavson and Lundgren (2005: 8) further explain that when valuing a product, brand loyalty is the key because a highly loyal customer base generates larger sales and profits. A brand without a loyal customer is subject to vulnerability and the customer's loyalty to a brand creates its value. Hence, keeping customers is easier and more profitable than finding new ones. Burgeson (1998) argues that companies, over and over again, try to create product loyalty by keeping customers happy, yet the actual relationship between customer satisfaction and loyalty can be very difficult to determine.

Henri (2004:96) explains that high customer satisfaction is time and again assumed to generate in brand loyalty. However, findings have shown that it is not the case, as highly satisfied customers can more likely desert their preferred brand and buy another but, customers that are dissatisfied with the brand regularly purchase the same brand. Thus, false loyalty occurs when the customers have a limited choice of products. Customers appear loyal because they continue to buy from a single seller but their apparent loyalty is due to a lack of good substitutes and they are actually unhappy with the product (Burgeson, 1998). According to Riezebos (2003:87) consumers' brand loyalty over the past decade has decreased. For instance, twenty to thirty years ago consumers consistently purchased the same product from a product class.

However, people are constantly switching from two to four different brands. This is because there is a growing selection of services, products, styles and accessories. Therefore, if the field of choices grows too large value can blur, distinction can be lost and people can grow distracted. Because of the increasing accessibility of consumer publications, brochures, and the Internet, product information is made more available. The consumers can more easily gather information and this empowers them and raises their expectations. Bowen and Chen (2001:17) explain another aspect of this matter, citing that people despise certain merchants because it is convenient. The environment today is very stressful. People have too much to do and too little time.

The gaining and keeping of loyal customers is increasingly recognized as key to business success. Loyal customers are willing to pay high prices and more understanding when something goes wrong. (Gefen 2002:27) notes that loyal customers are easy to satisfy because they understand the customer's expectations better and they are also less price sensitive. (Rowley & Dawes, 2000:139) suggests that loyal customers provide the business with valuable time to respond to competitors actions. This implies that a competitive environment will encourage banks to initiate customer loyalty programmes which come as a result of competiton. The above discussion suggests that there is a relationship between perceptions regarding competitive banking environment and customer loyalty.
Therefore it is against this background that we hypothesised that:

Hypothesis H^6: ***There is a relationship between competition in the Ugandan banking environment and customer loyalty***.

5.6 SUMMARY

In order to attain the objectives of the study, as stated in chapter one, it was necessary to develop a suitable hypothetical model for the study and to operationalise the key variables of used in the study. This chapter provided a detailed explanation of hypothesised relationships to be assessed empirically. As was shown in the hypothetical model of the study, the influence of three independent variables, (confrontational behaviour, cooperational behaviour and typologies of competition) on the intervening variable (perceptions regarding the competitive banking environment) and its impact on three dependent variables (organisational performance, customer loyalty and retention) will be empirically tested. Six directional hypotheses were identified and will also be empirically tested.

The key variables of the study were also supported by some previous empirical studies. The following chapter will focus on the research design and methodology that will be used to test the stated hypotheses in order to achieve the rationale and

objectives of this study.

CHAPTER SIX

RESEARCH METHODOLOGY OF THE STUDY

6.1 INTRODUCTION

Research is a scientific method used to systematically search for solutions to problems (Nirmala & Silvia, 2011:4). More specifically, business research is the application of scientific methods in the search for truth about a business phenomenon (Zikmund *et al.,* 2013:5). Business research can range from identifying business opportunities and problems, to generating and evaluating ideas, monitoring performance, and understanding business processes (Zikmund, Babin, Carr & Griffin, 2013:5). Collis and Hussey (2009:3), as well as Zikmund and Babin (2010:5-6), maintain that "research involves a process of complete and strict enquiry and investigation, which is systematic and orderly in nature, and aimed at fulfilling the need for knowledge".

Research methodology is the systematic and logical study of the principles guiding research. It is concerned with, how the researcher established knowledge about his/her study and how the researcher can convince others that his/her knowledge is correct. Leedy and Ormrod (2005:179) define research methodology as the general approach the researcher takes in carrying out the research study. To some extent, this approach dictates the particular tools the researcher selects. Bryman and Cramer (2009:31) also define research methodology as a technique for collecting data. Bryman and Cramer (2009) further argues that it can involve specific instruments such as self-completion questionnaire, a structured interview schedule or participation observation whereby the researcher listens to and watches others.

The primary objective of this study which was presented to investigate and analyze the perceptions of the rules of business behaviour in the competitive banking environment in Uganda. The purpose of this chapter is to describe the research design and methodology adopted to achieve this primary objective. Firstly, the research paradigm

and methodology which were adopted are explained and justified. Following this, the secondary and primary data will be explained. Thereafter, the introduction of the population studied, the description of the sampling method used and the sample size will be provided. The description of how the measuring instrument was developed, the operationalisation of the independent and dependent variables, and the data collection process will be provided. The techniques employed to assess the validity and reliability of the measuring instrument will be described, and a brief description of the statistical techniques used to analyze the data will be given.

6.2 RESEARCH DESIGN AND METHODOLOGY

A research design involves specifying the methods and procedures that were used to obtain the information, and provides the directions that were needed to carry out a study (Acharyulu & Reddy, 2009:33; Hair, Babin, Money & Samouel, 2003:57). According to Greener (2008:38), a research design is a well-written plan which outlines how to go about conducting research on a particular topic. According to Bellamy (2011:20), research design is the description of the method through which research data is created, collected, constructed, coded, analyzed and interpreted. In summary, a research design is a systematic plan to study a scientific problem and includes describing the research paradigm and research strategies, as well as the data collection and data analysis processes.

What follows is a description of the research paradigm as well as the secondary and primary collection methods used in this study.

6.2.1 Research paradigm and methodology

Collis and Hussey (2003:47) state that there are two main types of research paradigms, a qualitative paradigm (phenomenological) and a quantitative paradigm (positivistic). These two types of research paradigms have played a big part in the discussions of research methods (Hakim, 2012; Collins & Hussey, 2003:47).

Phenomenological research paradigms are found in a number of subject fields such as management sciences, anthropology, psychology, education, and history (Struwig & Stead, 2001:11). However, positivistic research paradigms are rooted in the scientific research method (Collis & Hussey, 2003:53).

When one adopts a qualitative research paradigm, a qualitative research design is implemented. Similarly, when one adopts a quantitative research design, a quantitative research design is adopted. Each of these will be discussed in the paragraphs that follow.

Qualitative research designs involve research that analyzes observations in order to extrapolate some understanding from a study. Various authors argue that qualitative research is very difficult to define (Gill & Johnson, 2010:148). Qualitative research focuses on the analysis of words rather than on numerical findings, and is based on socially created dispositions of reality (Bryman 2012:35; Denzin & Lincoln 2008:14; Collis & Hussey, 2003:13). Myers (2009:5) adds that qualitative research methods are designed to assist researchers to understand people, by investigating what they say and do. In comparison to quantitative research, qualitative research is more difficult to understand, and consists of using non-numerical data collected either visually or orally in the form of text (Zikmund, Babin, Carr & Griffin, 2010:146; Struwig & Stead, 2001:11). The advantage of a qualitative research is that it is more subjective, and involves examining and reflecting on individual perceptions (Collis & Hussey, 2003:13). According to Krauss (2005:759), qualitative researchers believe that the best way to understand a phenomenon is to view it in its context and experience its meaning by being a part of it. Qualitative researchers do not construct a fixed set of questions to collect data, but allow questions to surface while the research process unfolds.

A quantitative research design involves the collecting, measuring and analysing data, using numerical values (Bryman, 2012:13; Denzin & Lincoln, 2008:14; Collis & Hussey, 2003:13). These authors add that quantitative research can be used as a tool

to highlight the relationships between variables. Zikmund (2003:111) refers to quantitative research as useful during the determining of quantity or the explanation of a phenomenon in a numerically manner. Quantitative data explains a phenomenon in an orderly and meaningful way (Zikmund *et al.*, 2010:146). Hopkins (2002) explains that the main objective of quantitative research is to establish relationships between independent and dependent variables. Kumar (2010:167) further comments that in quantitative research, the researcher is able to explore, measure, and determine the intensity of an issue and combine attitudes towards different aspects of the same issue in order to arrive at one indicator which reflects the general attitude. According to Struwig and Stead (2001:7), quantitative research makes use of structured questions, and provides the respondents with a fixed set of options to choose from when responding to questions, therefore yielding statistical data. Furthermore, quantitative researchers direct a significant amount of effort to measuring concepts with scales which can provide numerical values, directly or indirectly (Zikmund *et al.,* 2013:134). These numerical values can, in turn, be used in statistical computations and hypothesis testing. Some of the main differences between quantitative and qualitative research are illustrated in Table 6.1.

Table 6.1: Differences between quantitative and qualitative research

Quantitative Research	Qualitative Research
Produces quantitative data.	Produces qualitative data.
Uses large samples (over 50).	Uses small samples (1-50).
Concerned with hypothesis testing.	Concerned with generating theories.
Data is highly specific and precise.	Data is rich and subjective.
Location is artificial.	Location is natural.
Reliability is high.	Reliability is low.
Validity is low.	Validity is high.
Generalises from sample to population.	Generalises from one setting to another.
Focuses on the outcomes of the research.	Focuses on process of the research.
Researcher is not directly involved in the process of data collection.	Researcher is directly involved in the process of data collection.
Structured data collection technique and objective ratings.	Unstructured data collection technique requires subjective interpretations.
Deductive approach.	Inductive approach.

Source: Hair, Money, Samuel and Page 2007:152; Neuman 2006:54-59; Collis and Hussey 2003:55

Table 6.1 indicates some of the important aspects that differentiate quantitative and qualitative research. Quantitative research produces data that is numerical and uses larger samples to give the researcher more relevant results which can be generalised to the population as a whole. Also, the validity of the measuring instrument used in quantitative research is lower than that of qualitative research. Researchers can decide whether to use either quantitative or qualitative research, as both have their advantages and disadvantages. Moreover, the weaknesses of the one can be considered as the strengths of the other, and vice-versa.

Given both the aim and the nature of the study, a quantitative research design was considered to be the most suitable. The advantage of a quantitative research design is that it allows for meaningful comparisons of responses across respondents, and therefore the research paradigm adopted in this study is of a quantitative nature. The aim of this research is to collect statistical data that will explain and predict actions and/or events.

6.2.2 Types of quantitative research designs and strategies

According to Collis and Hussey (2009:12), a research design allows the researcher to choose from various research designs including exploratory, experimental, and descriptive research design. A discussion of each of the quantitative research designs will follow.

6.2.2.1 Exploratory research

According to Zikmund and Babin (2010:96), exploratory research is conducted to clarify ambiguous situations or to discover ideas that may lead to potential business opportunities. Furthermore, exploratory research is an approach to research that is used when a limited amount of information is known about the specific topic or subject

area (Krishnaswamy, Sivakumar & Mathirajan 2009:161). The main purpose of exploratory research is to provide researchers with formal guidance on which topics need to be further researched, rather than providing the researchers with pertinent conclusions on specific topics (Collis & Hussey 2009:12). In addition, Krishnaswamy *et al.,* (2009:161) state that the main focus of exploratory research is to build a theory or generate new knowledge.

6.2.2.2 Experimental research

According to Labaree (2013:6), experimental research is a procedure that enables the researcher to maintain control over all the factors that may affect the result of an experiment. In doing this, the researcher attempts to determine or predict what may occur. Experimental research is often used where there is a time priority in a causal relationship (cause precedes effect), there is consistency in a causal relationship, and the magnitude of the correlation is great (Labaree, 2013:6). *Causal research* is also known as *explanatory research* which allows for casual inferences to be conducted, and seeks to identify the cause-and- effect relationship. When a variable causes an effect, it means that the variable brought the effect about or made something happen (Zikmund, 2003:57). In addition, Labaree (2013:6) asserts that the classic experimental design specifies an experimental group and a control group. The independent variable is administered to the experimental group and not to the control group, and both groups are measured on the same dependent variable. Experimental research is important when studying a number of variables, which have a substantial amount of literature available on the topics (Kolb, 2008:27).

6.2.2.3 Descriptive research

According to Krishnaswamy *et al*., (2009:164), descriptive research does not involve a large number of variables, but rather attempts to establish or find the relationship between a single or few variables by making use of statistical analysis. This method is used to test hypotheses, explore the causes of specific results, and obtain specific

data (Kolb, 2008:25). Panneerselvam (2004:7) describes the main purpose of descriptive research as the ability to describe the different characteristics of objects, individuals, groups, organisations or environments. In other words, descriptive research attempts to tie influencing variables together in order to paint a single picture of the current situation and develop conclusions that prove the stated hypothesis (Zikmund *et al.,* 2013:56; Panneerselvam, 2004:7). The most effective use of the descriptive research approach is a survey method (Zikmund *et al.,* 2013:57).

Zikmund (2003:56) emphasised that unlike exploratory research, descriptive research studies are conducted after the researcher has gained a significant grasp of the situation that is being studied. For the purpose of this study, a descriptive quantitative research design will be implemented. A descriptive study establishes the relationships between specified variables, with no intention to alter the behaviour or conditions of the variables, as is the case in this study.

Cross-sectional studies are described by Labaree (2013:5) as having three distinctive features, namely no time dimension, a reliance on existing differences rather than a change following an intervention, and groups are selected on the basis of existing differences rather than allocation. Cross-sectional design studies can only measure the differences between or from a variety of people, subjects, or phenomena, rather than change. Therefore, researchers who make use of this design can employ a relatively passive approach, making causal interferences which are based on findings. In addition, cross-sectional designs generally gather data by means of survey techniques, which are relatively cheap and take little time to conduct (Labaree, 2013:5).

A *longitudinal study* is described by Labaree (2013:8) as a study that uses the same sample over time, making repeated observations. In a longitudinal survey, people are interviewed on a regular basis, enabling researchers to track changes over time and relate them to variables that might explain why changes occur. Longitudinal research studies describe the patterns of change, and help establish the direction and

magnitude of causal relationships. Measurements are taken on each variable over two or more distinct time periods (follow-up observations), therefore allowing ther esearcher to measure change in variables over time (Labaree, 2013:8; Zikmund *et al.,* 2010:196).

A *cross-sectional study* will be used in this study, because various segments of a population are sampled and data are collected at a single moment in time, thus making cross-sectional studies relatively cheap and quick. In summary, for the purpose of this study a quantitative research design will be adopted and a descriptive study of a cross-sectional nature will be undertaken. To achieve the objectives of the present study, a quantitative research paradigm and design were adopted more specifically, explanatory and descriptive studies of a cross-sectional nature were undertaken. The researcher has chosen this design and methodology because the study is undertaken using a large sample, and the causes and facts behind phenomena are being investigated. Quantitative research requires the use of a large sample to ensure that the findings obtained are true for an entire population, and ensures that the envisioned statistical analyzes are undertaken (Zikmund *et al*., 2010:146), which is the case in this study. The discussion below will address the various methods of data collection that are used when conducting quantitative research.

6.3 DATA COLLECTION

When undertaking quantitative research, a researcher is required to make decisions of the collection of the data. These decisions include how both secondary and primary data will be collected.

6.3.1 Secondary data collection

According to Zikmund *et al*., (2010:161) and Struwig and Stead (2001:80), secondary data is data that already exists from various sources excluding the current project, and

is classified into three categories, namely already existing raw data, summaries of data, and writer treatises such as books and articles. Secondary data is made available to other researchers to help with their own research problems (Lamb, Hair, McDaniel, Boshoff & Terblanche, 2008:151). For the purpose of this study, the following secondary data was used to undertake the literature study.

In this study a comprehensive literature study was conducted, using existing secondary sources which are related to the topic under investigation. The literature study was conducted to find out about the perceptions of the rules of business behaviour in the competitive banking environment in Uganda. Following this, the secondary data that was collected, was used to support the proposed hypotheses. Various types of sources were consulted, which included academic journal articles, newspaper articles, the internet, and textbooks which were found through the Nelson Mandela Metropolitan University (NMMU) library.

6.3.2 Primary data collection

According to Buglear (2009:11) primary data collection is done by researchers using three main methods, namely, surveys, experiments or observations. The most common method of generating primary data is through surveys (Zikmund *et al.,* 2010:196). Primary data collection involves selecting the population, the sample and sampling method, and the sample size to be adopted in a study. Thereafter, the data collection process, the administering of the measuring instrument, dealing with missing data and the method of data analysis used in a study should be described.

6.3.2.1 The sampling procedure

The selection of a particular research design signifies the decisions about the precedence which is given to a range of dimensions of the research process (Bryman & Bell, 2007:40). This will have considerable influence on the lower-level methodological procedures, such as, sampling and statistical packages. Different

quantitative research methods were considered for this study.

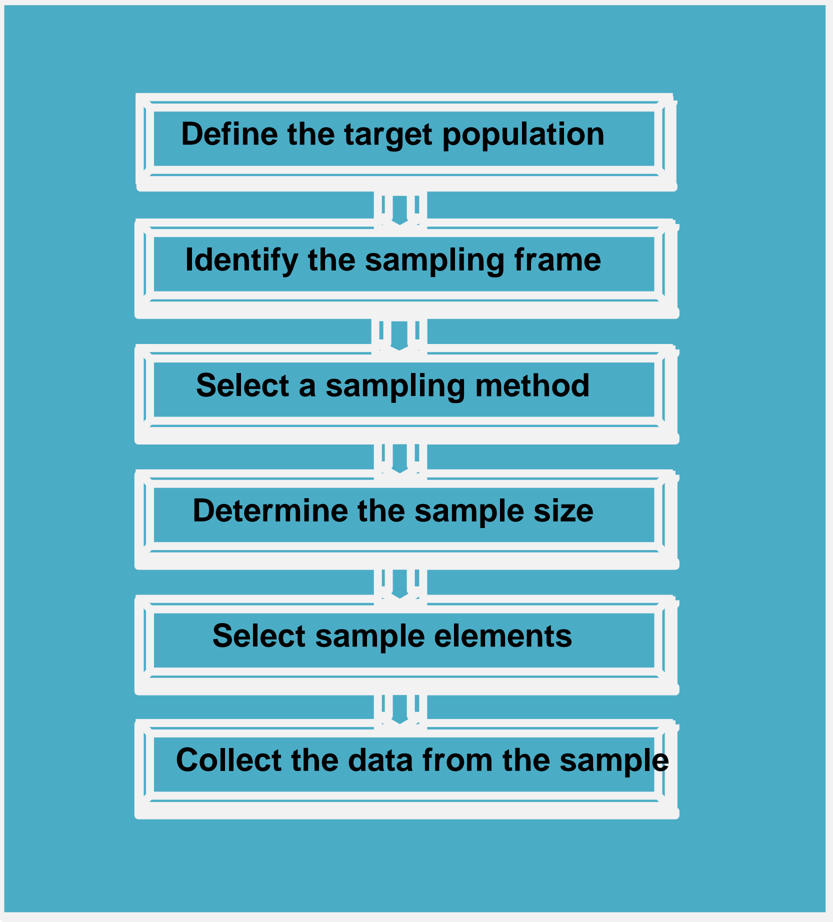
As a sample of participants was required for the generalization of the theory, pragmatic considerations, including time and resources eliminated observational methods or case studies had to be undertaken. The option of conducting survey by an interviewer through delivered questionnaires, was considered more appropriate. Parasuraman, Grewal and Krishnan (2004:356) state that the decision on the sample size depends to the researcher, who should be able to draw generalisable conclusions from the sample. The authors further defined sampling as the choice of a small part of the entire population of units of importance to decision makers who are able to draw general conclusions about the entire body of units.

Churchill and Iacobucci (2002:449) outlined a six-step procedure for researchers to follow when they develop a sample from a population. The procedures are the following:

- Define the population
- Identify the sampling frame
- Select a sampling procedure
- Determine the sample size
- Select the sample elements
- Collect the data from the designed elements (see Figure 7.1).

O'Leary (2005:103) postulated that, in spite of any pursuit for representativeness, the procedure of sampling will still entail naming your population, deciding on sample size, and employing a suitable sampling strategy. Cavana *et al.,* (2001) also suggest a similar approach of designing a sampling method, but with seven check points: relevance of the target population, the preciseness of the parameters, the availability of the sampling frame, probability or non-probability sampling, sample size, monetary cost, and time spent. All the six variables suggested by Churchill and Iacobucci (2002:449) and the first five factors of Cavana *et al.,* (2001) were effected in this study.

Figure 6.1: Five-step procedure for drawing a sample



Source: Adapted from Churchill and Iacobucci (2002:449)

The characteristics of this study necessitated the utilisation of the convenience (non-probability) sampling (Parasuraman, Zeithaml & Berry, 1991:456). Convenience sampling allows a large number of respondents to be interviewed in a relatively short period of time, and for this reason it is commonly used in construct and scale measurement development.

6.3.2.2 Target Population

Hair, Black, Babin, Anderson and Tatham (2006:328) consider a population as a recognised group of elements that are of significance to the researcher and are relevant to deduce something about the population. It is very difficult and expensive to do a census of a given population, therefore a sample or a few representatives of a population should be targeted for a study of this nature. A sample of the population or target population is a distinct cluster of entities that have similar features or homogenous characteristics (Boyce, 2002:232).

In a scientific research, Zikmund (2003:368) refers to a population as, “any complete group of people who or businesses which share a common set of characteristics.” Gravetter and Wallnau (2011:4) define a population as a “group of people that share a common interest relating to a particular study”. According to McIntyre (2005:231), the population is also known as the “universe”, which consists of a set of people, objects and groups that are of interest for research purposes. The first step in defining a research sample is to define the population.

For the purpose of this study, the population consists of commercial banks that operate in Uganda. There are 24 commercial banks in Uganda with 658 branches (BOU, 2014). These banks are characterised differently as ownership differences; local verses foreign owned or commercial verses and other licensed banks.

6.3.2.3 Identification of the sample frame

After the definition of the sample population it is important to have a sampling frame, from which entities are derived. There are various sources of sampling frames, such as telephone directories, voters’ register or registers from schools. Hair *et al.,* (2006:330) maintain that it is often very difficult to gain access to accurate or representative sampling frames. Boyce (2002:238) considers it as an appropriate

method of generating a sample depending upon the nature of the sample. The sampling frame is the actual list of sampling units, elements, objects or materials from which the sample is actually drawn (Heng, Yeong, Siong, Shi, & Kuan, 2011:25). Although the sampling frame should ideally include all members of the target population, it is not always practically possible for various reasons; for example, the target population might be out-dated. According to Turner (2003:4) a perfect sample frame is one that is complete, accurate and up-to-date. As no database or sampling frame was avialble for this study, used was made of non-probabilility sampling by means of convenience and judgemental sampling. Various authors such as Burrns and Burns (2008:302), Gravetter and Forzano (2010:141), Salkind (2010:1298) and Zikmund and Babin (2010:380) justify the use of convenience and judgemental sampling in the absence of a sampling frame, however acknowledging some limitations.

6.3.2.4 Sampling and sampling method

Hair, Black, Babin and Anderson (2011:165), Sekaran and Bougie (2010:262), as well as Zikmund and Babin (2010:304) define a population as any complete group or body of people, or any collection of items under consideration for a research purpose. In this study, the population consisted of all commercial banking institutions which operate in Uganda. According to Salkind (2010:1109) and Leedy and Ormrod (2005:198), it is generally impossible for a researcher to study the entire population that one is interested in when conducting research. Therefore, researchers make use of a sample when investigating a problem. A sample refers to a subset of a population or group that is selected for research and to represent a population. Sampling is a method of collecting information from a sample that is representative of entire population (Barreiro & Albandoz, 2001:1). The benefit of sampling is that it is hard to study the entire population both in terms of resources such as time and finances (Kazerooni, 2001:993). Therefore, a sample is selected to represent the population to which the results are inferred. Oso and Onen (2008: 56) refer to a sampling technique as strategies which the researcher uses to select representative respondents from the

target. Sampling is a research technique frequently used in the social sciences as a way of gathering information about a population without having to measure the population as a whole (Salkind, 2010:1053). Jackson (2011:100) adds that with a representative sample the researcher can be fairly confident that the results found in the sample can be generalised to the population as a whole.

Two main types of sampling techniques exist, namely, probability and non-probability sampling techniques (Bryman, 2012:187; Marlow, 2010:140; Zikmund, 2003:71). A probability sampling technique is a process in which every element in the population has a known non-zero chance of being selected. According to Marlow (2010:140), probability sampling is the best technique to be used for quantitative research as it increases the researcher's chances of respondents.

(a) Probability sampling

The probability sampling includes techniques such as simple random, cluster, stratified, and systematic sampling (Gratton & Jones, 2010:111; Marlow, 2010:141).

Simple random sampling is defined by Bryman (2012:190), Lind, Machal and Wathen (2012:267), Salkind (2010:1296), Steinberg (2008:140) and Zikmund *et al*., (2013:395), as the most basic form of probability sampling, where each member of the population has an equal chance of being included in the sample. According to Cohen, Manion and Morrison (2007:111), this sampling method consists of three steps: defining the population, listing all the members of the population and selecting the sample by using a technique in which individuals that form part of the sample are selected by pure chance. Zikmund and Babin (2010:398) further state that simple random sampling is very effective if all subjects participate. It is free from potential bias and is an easy method to undertake. However, simple random sampling cannot be done without a complete list of the population, which is virtually impossible to get. In addition, simple random sampling requires long hours that result in escalating labour

costs (Zikmund & Babin, 2010:339).

Cluster sampling is often used when the population is too large for random sampling and occurs when the population is broken down into segments according to interests, and then a sample is take from the various segments of interest (Marlow, 2010:141-144). According to Greener (2008:48), when selecting a sample from a geographically dispersed population, cluster sampling can prove to be the most beneficial. The sample segments are separated into clusters, and a random or systematic sample is selected. In addition, Greener (2008:48) found that cluster sampling can usually produce effective results, but this form of sampling can introduce potential bias.

According to Cohen *et al.* (2007:112), *stratified random sampling* is a technique in which the population is divided into different independent groups, with each group containing similar characteristics. Stratified sampling is a useful sampling technique when there is a chance that a simple random sample will yield a disproportionately large number of participants in one or more categories (Sue & Ritter, 2012:38). Bryman (2012:193) contends that it is only sensible to use a stratified random sampling technique when data, that easily identifies the members of the population in terms of the stratifying criteria, is available.

Systematic random sampling refers to a process that involves selecting subjects from the population list, on the basis of the sampling frame and of a predetermined number of respondents needed for the sampling (Marlow, 2010:141-144). Systematic random sampling is used when very large numbers are included in the target population or when lists are already grouped into sections or classes (Sue & Ritter, 2012:38). Gratton and Jones (2010:112) suggest that this sampling method is the best option when the list from which the items are taken is randomly ordered, otherwise potential bias may arise.

(b) Non-probability sampling

Non-probability sampling is used in situations where probability sampling cannot be used (Babbie, 2010:192). Non-probability sampling occurs when units of the same sample are selected on the basis of personal judgement or convenience (Babbie, 2010:192; Zikmund & Babin, 2010:379). This method does, however, lead to some units within a population being more likely to be selected than others (Bryman, 2012:187). Salkind (2010:1297) adds that non-probability sampling techniques do not give all the individuals an equal chance of being selected.

These techniques include convenience, judgemental quota and snowball sampling (Gratton & Jones 2010:113; Salkind 2010:1297).

Convenience sampling is a non-probability sampling technique that involves the non-random selection of subjects because their availability or convenient accessibility (Salkind, 2010:1297). This method of sampling is quick, inexpensive, and can be used to obtain a large number of completed questionnaires in a short period of time, but the results cannot be generalised to all people (Gravetter & Forzano, 2010:141; Steinberg, 2008:141).

Judgemental (purposeful) sampling involves the non-random selection of elements on the basis of the researcher's judgement and knowledge about the population (Salkind, 2010:1298). This sampling technique is used when the nature of the research questions requires that certain criteria be used to establish who or what goes into the sample (Salkind, 2010:1298). Panneerselvam (2004:201) indicates that the downside to using this sampling method is that there is a high chance of bias.

Bryman and Bell (2007:197-200) describe *quota sampling* as a form of non- probability sampling in which a specific group of individuals is used to represent different subgroups in the population. An advantage mentioned by Salkind (2010:1178) is that quota sampling provides samples with the desired numbers of each subpopulation at a limited sampling cost. However, the true representation of the samples and their representing intensity is low (Salkind, 2010:1180).

Snowball sampling is a non-probability sampling technique in which the researcher collects data from a few members of the target population that he or she can locate (Salkind, 2010:1298). Snowball sampling refers to a form of convenience sampling in which the sample selected is based on relevance to the topic of study, and the sample population is used in order to reach and create contact with others (Bryman & Bell, 2007:224). Snowball sampling is also a useful sampling method when the population is hidden and difficult to identify (Salkind, 2010:1298). Bajpai (2010:267) simplifies the term, saying that a snowball collects ice particles when it rolls on ice. Similarly, in snowball sampling, the respondents are used and selected on the basis of referrals made by other respondents in the study. The advantage of using snowball sampling is that by introducing a known member of the population, the researcher may be able to engender greater trust in the subject, and subsequently, improve the quality of the data (Gratton & Jones, 2010:113). The downside of snowball sampling, identified by Bryman (2012:203), is that it is unlikely that the sample will be a true representative of the population.

A non-probability sampling technique, namely convenience sampling, rather than a probability sampling, was selected as the sampling method in this study. Convenience sampling involves the selection of participants on the basis of their availability and willingness to participate (Burrns & Burns, 2008:302; Gravetter & Forzano, 2010:141; Zikmund & Babin, 2010:380).

There are currently 24 commercial banking institutions operating in Uganda. These banks have 658 branches. However, three staff members (from top, middle and lower levels) were considered from each of the 233 branches that were chosen for the study. Non-probability sampling such as purposive or judgmental sampling was used. This focused on a known and desired target group, which gives the researcher the flexibility of deciding who to include in the study on the basis of their knowledge in the subject area and their willingness to share the information (Kezerooni, 2001:994). Convenience sampling will also be used with respondents who are easily accessible

and available. The envisaged sample size of about 700 respondents will include staff from operations, finance, management, marketing, business development, general administration and credit or loans departments.

There are several reasons why commercial banks have been considered for this study. Mugume (2010:22) argues that while it is necessary for the banking system to be competitive, there is need to in order to ensure that they are effective in financial intermediation through channeling savings into investment and fostering higher economic growth. This implies that their business rules need to be studied and the nature of relationships they engage in. Another reason for the consideration of these banks is that they are commercial and the predominant financial institutions in Uganda comprising over 80% of the financial system. Banks are the primary mechanisms for the transmission of monetary policy and they play an important role in determining the supply of money in the economy. They also form the backbone of the payments system (Mugume, 2010:22).

6.3.2.5 Sample size

Aaron, Aaron and Coups (2008:216) define a sample size as the number of people who are subjects in a research study. Dillman, Smyth and Christian (2009:55) have found that the sample size affects precision and not the proportion of the population sampled. As the sample size increases, the margin of error decreases for a particular level of confidence (Sue & Ritter, 2012:42), the smaller the sample size, the larger the error, and vice-versa (Murthy & Bhojanna, 2008:38).

Swanson and Holton (2005:123), as well as Niedergassel (2011:172) are of the opinion that the sample size is a key element when undertaking a multiple regression analysis. This is because the sample size has an influence on the statistical power and the generalisability of the results. It is suggested by Swanson and Holton (2005:123) and Bates (2009:5) that general guidelines recommend an observation-to-independent variable ratio of at least 5:1 or 10:1.

Furthermore, the use of the Historical Evidence Approach (HEA) is common in non-probability sampling. HEA uses information that would have been used previously by other researchers for establishing a sample size in comparable studies. Boyce (2002:261) established that a sample size of 300 in a shopping centre type of survey is considered adequate by most researchers. This is in conformity with Avkiran (1994:12) who observed that a sample size of 300-500 respondents for consumer surveys seems to be adequate. In relation to the proposed sample size by different studies and taking cognisance of the Historical Evidence Approach, this study accepted a minimum sample size of about 700 respondents.

The sample size in this study consisted of 233 commercial bank branches. These branches were approached and at least three employees from senior management, middle management and supervisory management were selected to complete the questionnaires, resulting in 699 potential respondents. This sample size was considered adequate given the guidelines recommended above.

According to Wilson (2010:205), the response rate in a survey is the number of respondents that agree to participate in the study. This number can be represented as a percentage or an actual number of the original sample. More specifically, the statistical response rate refers to the number of people who respond to the questionnaire, and can be calculated by taking the number of completed questionnaires and dividing it by the number of participants contacted.

For the purpose of this study, 699 questionnaires were distributed and 574 were completed and returned. However, only 529 were usable for statistical analysis as some of the returned questionnaires were incorrectly completed or not completed at all. This is known as the effective response rate and can be calculated by obtaining the ratio of questionnaires which were returned to the sample size. The effective response rate was 76% percent (see Table 6.2). According to Wilson (2010:205) the effective response rate reflects the number of respondents who participate in a study and can

be presented in the form of a percentage or the number of the original sample that returns the usable questionnaires.

Table 6.2: Response rate of the study

	Number of Respondents
Number of questionnaires distributed	699
Total number of questionnaires returned	574
Usable questionnaires returned	529
Response rate	82%
Effective response rate	76%

Source: Researcher's own construction

6.4 THE PILOT STUDY

Cucerzan (2007) believed that, in most cases, researchers are so closely focused on and absorbed with the research project that they overlook the errors that are linked to the construction of the questionnaire. Pilot testing gives a researcher the opportunity to correct errors and to redesign problematic elements of the questionnaire before the main study is conducted. Therefore, the pilot study is an important activity in the development of the questionnaire and it is intended to explore areas of the instrument that need more development and refinement (Kumar, 2005:10).

In this study, the pilot study was conducted on a small sample size of 35 respondents who were bank employees, giving a (5%) of the actual sample size in the same manner as the main study. The purpose of a pilot study as summarized by Welman *et al.* (2005:148) is to:

- Give the researcher the opportunity of testing whether the respondents understand the questions in the same way, whether all questions are relevant and if all the instructions are clear.
- Identify flaws in the questionnaire, such as, the length and structure of the questionnaire that would determine the time required by a respondent to complete the questionnaire, and
- Pre-test validity and reliability of the questionnaire so as to identify and rectify problem areas.

6.5 DEMOGRAPHIC PROFILE OF RESPONDENTS

Table 6.3 provides the demographic composition of the respondents that have been approached for statistical analysis in this study. A total of 700 questionnaires were distributed by the researcher and only 529 were useable, which indicates a response rate of 76%. All useable questionnaires were inspected, edited and coded. The purpose of this process was to ensure that the data is accurate, consistent, uniformly entered and arranged properly to facilitate coding. All the questionnaires were given a reference number, to facilitate the data capturing for the purposes of statistical analysis.

Table 6.3: Composition of the respondents in demographic terms

Demographics	Range	N	%
Gender	**Male**	307	58
	Female	222	42
	Total	529	100
Age	**20-30**	30	25
	31-40	355	67
	41-50	39	7
	51-60	5	1
	Total	**529**	**100**
	Senior management	34	6
	Middle management	232	44
	Supervisory management	194	37
	Others	69	13
	Total	**529**	**100**
Education level	**'O' Level**	0	0

	Diploma	24	4
	Bachelor degree	216	41
	Post graduate diploma	184	35
	Masters degree	105	20
	Total	**529**	**100**
Years of bank's existence	**1-5**	220	42
	6-10	238	45
	11-15	39	7
	16-20	14	3
	Above 21	18	3
	Total	**529**	**100**
Number of employees in the bank	**<50**	112	21
	51-100	40	8
	101-150	33	6
	151-200	61	11
	>200	283	54
	Total	**529**	**100**
Length of current employment (years)	**1-5**	140	27
	6-10	146	28
	11-15	49	9
	16-20	71	13
	Above 21	123	23
	Total	**529**	**100**
Section in which you are employed in the bank	**Management**	48	9
	General administration	25	5
	Business development	45	8
	Credits/Loans	103	20
	Marketing	55	10
	Financial planning	22	4
	Operations	205	39
	Others	26	5
	Total	**529**	**100**

Table 6.3 indicates the frequency distribution of the respondents among the various categories. It further describes the demographic characteristics of the employees assessed in the study by position in the organisation, gender, age, academic qualification, number of years of the bank's existence, number of employees in the bank, years of service in the banking sector, and section in which they are employed.

58% of the respondents were male, 67% of the respondent fell in the range of 31-40 years and the highest education attained was 41% with bachelor's degrees, followed

by 35% with post graduate diplomas while the rest either had masters degree (20%) or diploma (4%). There were no respondents below the diploma qualification.

Pertaining to the length of employment in the current position, the highest proportion had spent between 6-10 years (28%) and 1-5 years (27%) while the 9% were between 11-15 years while 16-20 years (13%) and over 21years was 23% each. The banking institution where the employees work is described by two factors, namely, the number of employees and years of existence.

In the results according to Table 6.3 slightly more than half of the respondents (54%) were from banks with more than 200 employees. The rest were mainly operating in banks with less than 50 employees (21%) as well as those between 151 and 200 employees at 11%, those with between 101 and 150 years (6%) and between 51 and 100 years (8%). With regards to years of existence, about 45% were in banks which had been in existence between 6 and 10 years while 42% were in banks which had been in existence between 1 and 5 years. The rest were operating in banks that were in existence for between 11 and 15 years (7%), 16 and 20 years (3%) and over 21 years (3%).
Finally, the section in which the employees were employed in the bank (39%) were in other sections which were not defined, (20%) were in marketing, while (10%) were in financial planning, (9%) were in general administration, (5%) were in business development and (4%) were in operations.

6.6 METHOD OF DATA COLLECTION

Struwig and Stead (2001:80) define data collection as the process in which a researcher obtains subjects and is then able to collect information from those subjects using particular research questions. There are numerous ways in which researchers can obtain the necessary data, which include surveys, interviews, observations, scales, and project techniques. Surveys are the oldest method used to collect quantitative data and are frequently used by researchers in the field of social

sciences for exploratory, descriptive and explanatory purposes (Babbie 2010:254; Zikmund 2003:66).

According to Zikmund *et al.* (2013:185) and Collis and Hussey (2003:66), a survey is a method of collecting primary data based on communication with a representative sample of individuals. Collis and Hussey (2003:66) add that there are two major types of surveys, namely, descriptive and analytical surveys. Descriptive surveys are more concerned with identifying and counting frequencies of a population at one point or various times for comparison. In contrast, analytical surveys are more concerned with determining whether a relationship exists between different variables or not (Collis & Hussey, 2003:66).

Questionnaires and interviews are techniques commonly used for collecting survey data (Connaway & Powell, 2010:107; Collis & Hussey, 2003:66). In this study a structured, self-administered questionnaire was used to gather the necessary data. According to Babbie (2010:256) and Zikmund *et al*. (2013:217), a questionnaire is a measuring instrument that allows respondents to read and answer questions given to them, and this information is used for the purposes of analysis. The questionnaires were personally delivered to the respondents.

6.6.1 Development of measuring instrument

The measuring instrument consisted of a cover page and three sections (see Annexure A). The cover letter described the purpose of the study and the type of information requested from the respondents. An assurance of confidentiality and instructions on how to go about completing the questionnaire were included in the cover letter. In addition, the cover letter included a definition of rules of business behaviour in the competitive banking environment in the context of this study.

In a questionnaire, two types of questions can be used, namely open-ended and closed-ended questions. According to Zikmund *et al*. (2010:338) and Gill and Johnson

(2010:142), open-ended questions are those where the respondent is given questions that pose a problem, and closed-ended questions are those where the respondent is given specific limited responses from which to choose. In this study a self-constructed measuring instrument with closed-ended questions was used.

The purpose of the measuring instrument was to obtain primary data to test the hypothesized relationships that were shown in the hypothesized model. The purpose was also to analyze the impact of the rules of business behaviour in a competitive banking environment in commercial banks of Uganda. When designing a questionnaire, the researcher should bear in mind that it reflects the research problem and overall plan of the study. Thus, a questionnaire was designed to gather information in order to find a solution to the problem statement which is the specified research framework. A questionnaire may be defined as a well established instrument for acquiring information on participants' present and past behaviour, standards of behaviour or attitudes and their beliefs and reasons for action with respect to the topic under (Bird, 2009). The aim of the questionnaire used in this study will be to find out what the selected group of participants do, think or feel about the impact of business rules in a competitive banking environment.

A questionnaire has a combination of closed and open-ended questions. Closed-ended questions limit the respondents in that they all answer the same questions or are provided with the same options of answers in which the most appropriate answer would be selected. A Seven point Likert-type scale was used, where respondents were requested to indicate how strongly they agreed or disagreed with each statement on the Likert scale of 1 (strongly disagree) to 7 (strongly agree). Conversely, should the researcher not want to limit the respondents to a specific set of answers, and would like to explore new phenomena, open-ended questions would be appropriate. However, in order to quantify certain opinions and analyze the extent of the phenomena, using a seven-point Likert scale, only closed-ended questions will be used for the current study. A self-administered questionnaire consisting of six sections as outlined in the following sub-sections will be used.

6.6.2 The measuring instrument operationalisation

Operationalisation is described as the process of defining a construct while ensuring that rules are in place for making observations on how to determine when the instances of a concept have occurred empirically (Gill & Johnson, 2010:48; Babbie, 2007:44). According to Gravetter and Wallnau (2011:19), constructs are internal attributes that a researcher is unable to observe directly, but uses in order to explain and describe behaviour. All observations, specifications and procedures must be clear so as to ensure that all researchers characterise constructs in the same way (Cooper & Schindler, 2008:35).

Gravetter and Wallnau (2011:19) as well as Gill and Johnson (2010:48) further explain that creating measures is necessary to empirically test a construct under observation and should be characterised by more than one attribute.

Hair *et al.* (2011:735) state that the process of operationalisation commences by defining the constructs involved, thus providing a foundation for selecting the individual indicator items. The actual operationalisation of the construct then involves selecting suitable items for the measurement scale, as well as the type of measurement scale (Hair *et al.* 2011:735). The scales for measuring the constructs under investigation in this study were developed on the basis of previous research. Several of the items had been phrased to contextualise them in the present study.

Confrontational behaviour, cooperational behaviour and typology of competitors are operationalised as independent variables while the perceptions of the competitive environment is the moderating variable and perceptions of outcomes (organisational performance, customer retention and customer loyalty) are operationalised as dependent variable. These were the key dimensions in the questionnaires which were used to collect data on the perceptions of the rules of business behaviour in the competitive banking environment in Uganda.

All questionnaire items were linked to a seven-point Likert-type scale. Seven response options, namely; strongly disagree, disagree, somewhat disagree, neutral, somewhat agree, agree and strongly agree were used to score the responses to each questionnaire item.

6.6.2.1 Confrontational behaviour

To develop the scale for measuring the independent variable of confrontational behaviour under section A, previous studies which investigating this strategy included, Muhlbacher *et al.* (2006:366), Ackermann and Driscoll (2013:11), Porter (1998) and Spulber (1998:323). A 25 item scale was developed on the questionnaire based on these studies linked to a seven item likert scale.

6.6.2.2 Cooperation behaviour

A 15 item scale was developed to measure the independent variable cooperation behaviour under section B. Previous studies supporting this strategy were, Muhlbacher *et al.* (2006:117), Root (1994:119), Huber (2000:87), Porter (2000:271), Harrigan (1988:142) and Margarita (2009:40).

6.6.2.3 Typology of competitors

For the purpose of this study a 15 item scale was developed to measure the typology of competitors in the banking environment. The studies by Chen (1996:68), Fiegenbaum and Thomas, (2004:56), Shoham and Fiegenbaum (2002:30) were used. In this study the typology of competitors was measured in terms of competitively aggressive organisations that identify available resources and priotise them to attack the less aggressive organisations which have the same resource base, argue Baker and Nelson (2005:80) as well as Read and Sarasvathy (2005:29). As an independent variable, it was measured by a seven-point likert scale.

6.6.2.4 Perceptions of the competitive banking environment

A ten-item scale was developed to measure the moderating variable of the perceived competitive banking environment in Uganda. The sacle items are supported by studies of Kaifi and Noori (2011:89) and Hoskin *et al.* (2005:45). It is imperative to understand the environment in which the business has to operate and to learn more about various components of the business environment in order to conceive a better, more informed and likely more competitive business models (Kohl, Gunasekaran & Saad, 2005:385). This variable is linked to a seven-point Likert scale as well. It should be noted that the study investigated *perceptions of respondents* regarding the rules of business behaviour and the perceived competitive banking environment within Uganda.

6.6.2.5 Perceptions of outcomes

The study views organisational performance, customer retention and customer loyalty as the desirable outcomes from the impact of the rules of business behaviour on the competitive banking environment. These are the dependent variables which are measured by a seven- point likert scale. Organisation performance in the context of this study focuses at the financial performance or outcomes. According to Carton (2004:67), the competition in the banking environment has a great impact on the banks' profits and losses. Wensen (2008:130), asserts that customers are always important for the business that has a high rate of competition. It is critical to retain the loyalty of the customers and this is an important aspect of business. Today's competitive environment maximizes customer retention so as to sustain the organisation's protection against competition and succeed in business (Dawes, (2009:232; Fluss 2010). A ten item scale was developed to measure the perceptions of outcomes in the competitive banking environment.

6.6.3 Instruments used for the demographic profile of the respondents

In the commercial bank branches where the fieldwork for this study was carried out,

individual demographic variables were measured to evaluate their effects on the respondents' perceptions of the rules of business behaviour in a competitive banking environment. These were identified under Section F. A single-item instrument was used for all selected individual variables. Eight demographic nominal variables were requested, namely: position in the organisation, age, gender, education levels attained, number of years of banks' existence, number of employees in the bank, length of current employment in years and section in which they are employed.

*Position in the organisation*was measured with a single-item measure and scored on a four-point scale, namely:
1 = Senior Management
2 = Middle management
3 = Supervisory
4 = Other

Gender was measured with a single-item measure and scored on a two-point scale, namely: 1 = Male and 2 = Female.

Age was measured with a single-item measure and scored on a four-point scale, namely:

1 = 20 to 30 years

2 = 31 to 40 years

3 = 41 to 50 years

4 = 51 to 60 years

The Highest Education level was measured with a single-item measure and scored on a six- point scale, namely:
1 = 'O' Level
2 = Diploma
3 = Bachelor's degree

4 = Post graduate degree/diploma

5 = Master's degree

6 = Other (please specify)

Number of years of banks' existence was measured with a single-item measure and scored on a five-point scale, namely:

1 = 1 – 5

2 = 6 – 10

3 = 11 –15

4 = 16 –20

5 = 21 and more

The number of employees in the bank was measured with a single-item measure and scored on a five-point scale, namely:

1 = <50

2 = 51-100

3 = 101-150

4 = 151-200

5 = Over 200

The length of current employment was measured with a single-item measure and scored on a five- point scale, namely:

1 = 1- 5

2 = 6 - 10

3 = 11 - 15

4 = 16 - 20

5 = above 21.

The employment position in the bank was measured with a single-item measure and scored on an eight-point scale, namely:

1 = Management

2 = General administration

3= Business development

4 = Credit and loans

5 = Marketing

6 = Financial planning

7 = Operations

8 = Others

6.6.4 Data collection and administration of the measuring instrument

As previously mentioned, the potential respondents were identified by means of convenience sampling. The respondents who agreed to participate received their questionnaires in person. Of the 700 questionnaires that were distributed, 574 were collected upon completion. The questionnaires were examined for missing data and 529 questionnaires were then captured onto an Excel sheet. The data was then cleaned in preparation for the statistical analysis. The cleaning of data involves examining the data for errors and for missing values, which are then edited if necessary (Cooper & Schindler 2008:415). Editing enables the researcher to check for data that is accurate, consistent with intended questions, uniformly entered and completed, as well as simplifying coding and tabulation (Cooper & Schindler, 2008:415).

6.6.5 Missing data

Upon receiving the completed questionnaires, the researcher examined them all for missing data. According to Hair *et al*. (2003:230), the mean-substitution approach is applied by substituting the missing values for a variable with a mean value. The mean

value is calculated from all the valid responses for the specific variable. Kunapuli (2008:91) adds that this approach is commonly used for determining missing values because of its simplicity. However, Hair *et al.* (2006:61) state that this approach is only usable for metrically measured variables that are also relatively low.

6.7 METHOD OF DATA ANALYSIS

Creswell (2009:185) defines data analysis as the process of collecting, understanding and interpreting the information received from the respondents. The process of analysis makes use of raw data that is captured by researchers to transform it into useful information to make it easier to derive conclusions and identify patterns (Cooper & Schindler, 2013:90).

Data analysis involves the reduction of data to simple elements, and entails reducing the amount of data collected to ensure that the necessary interpretations of the data can be made (Hardy & Bryman, 2009:4). The data was analyzed using the statistical programme, STATISTICA version 12.

The data analysis first included assessing the validity and reliability of the measuring instrument. Thereafter, the analysis included the calculation of descriptive statistics to summarise the data. Pearson's product moment correlations were used to assess the associations between the variables under investigation. Lastly, regression analyzes and analyzes of variance (ANOVA) were conducted to establish the influence of independent variables on dependent variables.

6.7.1 Validity of the measuring instrument

Cooper and Schindler (2008:289) and De Vaus (2002:53) define validity as the test of whether the measuring instrument measures what it is supposed to measure. Leedy (1997:32) adds that a validity test considers the soundness and effectiveness of a test. Validity is greatly concerned with whether the data collected depicts a true picture of

what is being studied (Collis & Hussey, 2003:186). Furthermore, Hair *et al*. (2003:174) state that validity can be easily measured by making a comparison between the observed measurements and the true measurements.

Greener (2008:37-38) and Morgan *et al*. (2008:129-130) state that there are different kinds of validity which include external and internal validity. External validity refers to the ability to generalise research findings across different people, settings and times; internal validity refers to how accurately the research instrument measures what it is actually meant to measure (Cooper & Schindler, 2008:289). Cooper and Schindler (2008:290) and Hair *et al*. (2003:174) add that for research purposes validity can be assessed in three ways, namely, criterion validity, content validity and construct validity, and these will be discussed in the following paragraphs.

According to Cooper and Schindler (2008:291) *criterion validity* is concerned with reflecting the success of measures that have been used for predicting outcomes or estimating the existence of a current behaviour. These authors further state that criterion measures are judged according to four qualities: relevance, freedom from bias, reliability, and availability. Hair *et al*. (2003:175) add that criterion validity identifies the correlations between measures, and that they are positive and significant.

Content validity is concerned with the assumptions of the measures and test construction, and not the assumptions made about test scores (Aamodt, 2013:210). According to Hair *et al*. (2003: 174), content validity involves not only systematic but also subjective assessment of a scale's ability to measure what it is supposed to measure. When evaluating the content validity of an instrument it is essential to agree first, on the element which has a universal interest in the subject matter (Cooper & Schindler 2008:290). Hair *et al*. (2003:174) state that content validity is conducted by consulting a small sample of respondents that judge whether the items that are chosen to represent a construct, are suitable.

Construct validity measures the extent to which a measure verifies hypotheses based on theoretical concepts that have been set out (Zikmund, 2003:303). According to Greener (2008:37) and Morgan, Gliner and Hamon (2008:130), construct validity is the most complex measure of validity and is most likely to measure what the measuring instrument should measure. Construct validity is also defined as the degree to which a test measures the hypothetical construct it was designed to measure (Ary, Jacobs, Razavieh & Sorensen, 2009:291). Two types of construct validity exist, namely convergent and discriminant validity (also known as divergent validity) (Vogel, Maas & Gebauer, 2011:341). *Convergent validity* attempts to prove that measures that should be related to one another are indeed related, whereas *discriminant validity* is more concerned with proving that measures that should not be related are not related in reality (Dmitrienko, Chuang-Stein & D'Agostino, 2007:377; Trochim, 2006). In this study, the researcher made use of construct validity to assess the validity of the measuring instrument.

The construct validity of the measuring instrument was assessed by undertaking a factor analysis.

6.7.2 Factor analysis

Factor analysis is a multivariate statistical method used to examine how underlying constructs influence the responses on a number of measured variables. According to Zikmund and Babin (2007:608) factor analysis is a technique for statistically identifying a reduced number of factors from a larger number of measured variables. A *factor analysis* involves a process that identifies a smaller number of factors, if any, that are found common among a larger number of variables (Norris & Lecavalier, 2010:8). Boyacioglu and Boyacioglu (2008:276) state that the general steps of a factor analysis can be summarised as follows:

- A correlation matrix is generated for all variables;
- Factors are then extracted from the correlation matrix on the basis of the correlation coefficients of the variables; and

- Factors are then rotated to increase interpretability.

There are two reasons for undertaking a factor analysis to assess the validity of a measuring instrument. Firstly, a factor analysis is undertaken for the purpose of exploration and detection of a pattern of variables. This is done in order to ascertain new concepts and to reduce the data. This type of factor analysis is known as exploratory factor analysis (EFA). EFA is defined as a method that describes and summarises data into factors that are correlated (Tolmie, Muijs & McAteer, 2011:290; Nugroho & Wihandoyo, 2009:221; Cudeck & MacCallum, 2007:58). An exploratory factor analysis can be used for various purposes which include the following (Nugroho *et al*., 2009:221-222):

- Identifying the nature of the constructs underlying responses in a specific content area.
- Determining what sets of items “hang together" in a questionnaire.
- Demonstrating the dimensionality of a measurement scale.
- Determining what features are most important when classifying a group of items.
- Generating “factor scores” which represent values of the underlying constructs for use in other analyzes.

The second reason is to test hypotheses of how variables are structured in terms of how many significant factors exist, otherwise known as confirmatory factor analysis (Miller & Salkind, 2002:404-405). Confirmatory factor analysis confirms a specific pattern of relationships predicted on the basis of previous analytic or theoretical results (DeVellis, 2012:151). Albright and Park (2009:3) add that a confirmatory factor analysis can either be theory- or hypothesis-driven, and allows researchers to:

- Specify the number of factors.
- Set the effect of a latent variable on observed variables to particular values.
- Test hypotheses about a particular factor structure.

The validity of the scales measuring the dependent variables outcomes from the competitive banking environment (organisation performance, customer retention,

customer loyalty), and the independent variable rules of business behaviour were assessed by performing an exploratory factor analysis.

6.7.3 Factor loading

Hair *et al*. (2006) referred to factor loading as a simple correlation between the variables and factors. It indicates how strongly correlated a factor is with a measured variable and it can be interpreted with high loading estimates and weak loading estimates. Factor loadings greater than 0.5 were considered significant in this study, and will enable the researcher to judge the scales as providing evidence of validity for the measuring instrument (Hair *et al*., 2010:117; Mustakallio *et al*., 2002:212). In addition, only factors with three or more items loading onto them are considered for further analysis, and items that cross load onto more than one factor were eliminated.

6.7.4 Naming of factors

This is a subjective process of combining intuition with an inspection of the variables that have high loadings on each factor (Hair *et al.,* 2006). Variables which have high loading factors are examined for the consistency of the variable that load high on given factors, then they will be chosen to name them.

6.8 RELIABILITY OF THE MEASURING INSTRUMENT

The reliability of the measuring instrument was tested to ensure consistency during the measurement of a concept. This is the testing of the accuracy of data measurements. Landy and Conte (2007:73) refer to reliability as the consistency, dependability and duplicability of a measure. Bayens and Roberson (2011:85) state that the main purpose of reliability is to ensure that the same set of data will provide the same results no matter how many times it is measured. A measure is reliable when accurate and consistent results are provided over time.

According to Bryman and Bell (2007:162-164), reliability can be tested with the calculation and interpretation of Cronbach's alpha coefficients (CAs). Hartas (2010:74) states that reliability can also be tested by using the split-half reliability method. Both these methods are concerned with internal consistency, which is known to occur when items in a study are measuring the same construct (Lewis & Zibarras, 2013:306). In this study, Cronbach's alpha coefficients were calculated to ensure the reliability of the scales measuring the various independent and dependent variables. According to Nunnally (1978) a Cronbach's alpha coefficient greater than or equal to 0.7 is an acceptable score to consider a scale as being reliable. However, for the purpose of this study the researcher will follow Hair *et al*. (2006:137) who recommend 0.6 as an acceptable significance level.

6.9 ANALYSES OF EMPIRICAL RESULTS

The primary data collected in this study was analyzed using both descriptive and inferential statistics. The data that was collected was captured onto a Microsoft Excel spread sheet. Descriptive statistics were calculated to summarise the data in an understandable manner. Descriptive statistics are generally divided into two sections namely, measures of central tendency and measures of dispersion. Measures of central tendency include the calculation of percentages, means, modes and medians, while measures of dispersion are associated with the calculation of variances and standard deviations (Keller & Warrack, 2003:32). In this study both measures of central tendency and dispersion were calculated. Descriptive statistics were used to determine the perceptions of the rules of business behaviour in the competitive banking environment.

In addition, inferential statistics were calculated which included Pearson's product moment correlation, and regression analyzes. Pearson's product moment correlations were calculated to determine whether associations exist between the various factors

under investigation as well as the strength and direction of these associations (Jackson, 2011:159; Wilson, 2010:243). Pearson's product moment correlation is also known as the sample correlation coefficient (Pestman & Alberink, 1998:146). The Pearson's product moment correlation coefficient, referred to as *r*, indicates the relationship between two variables and varies from -1 to +1 (Cooper & Schindler, 2011:493; Gravette & Wallnau, 2011:470; Collis & Hussey, 2003:236,238). A positive value of *r* implies a positive association and the negative value of *r* will imply a negative relationship (SPSS Tutorial 2011; Greener 2008:62). Jackson (2011:159) adds that when *r* is positive, the variables under investigation will increase and decrease simultaneously.

According to Vanpool and Leonard (2011:48), correlations are known for their similarities with regressions. A regression analysis tests the influence of several independent variables on a dependent variable, whereas correlations test the associations between variables. Simple regression analysis is a statistical method used to identify the relationship between one independent variable and a single dependent variable (Hardy & Bryman, 2009:166). For the purpose of this study, multiple regression analyses were conducted to determine the relationship between rules of business behaviour in a competitive banking environment and the outcomes arising out of a competitive banking environment.

Multiple regression analysis is a statistical method implemented to identify whether relationships exist between several independent variables and a single dependent variable (Freund *et al.*, 2010:378; Chatterjee & Hadi, 2006:2). In the present study multiple regression analyses were conducted to establish the perceptions of the rules of business behaviour in a competitive banking environment. Multiple regression analysis is important when calculating the coefficient of determination (R2), which describes the proportion of variation the two variables have in common (Jackson, 2011:161; Wheater & Cook, 2000:97). Jackson (2011:161) adds that the coefficient of determination (R2) is calculated by squaring the correlation coefficient (*r*). Furthermore, a multiple regression analysis calculates a beta statistic referred to as β.

According to Rubin and Babbie (2011:559), the larger the beta weight, the greater the influence a variable has in explaining the variation in the dependent variable, given that the other independent variables are controlled.

6.10 SUMMARY

In this chapter, the research design and methodology that were adopted for the study were discussed. The differences between qualitative and quantitative research methods were described and the research paradigm adopted for this study was motivated. Thereafter the population, the sampling and the sampling methods as well as the sample size used in this study were described. The method of data collection was then discussed. Subsequently, the development of the measuring instrument and qualifying questions were explained. In addition, the factors were operationalised by means of clear definitions.

The process of administering the questionnaires as well as the method used to deal with missing data was explained. The methods used to assess the validity and reliability of the measuring instrument were also described and discussed. An exploratory factor analysis was undertaken to assess the validity of the scales measuring the independent and dependent variables, respectively, and Cronbach's alpha coefficients were calculated to assess the reliability of the measuring scales. The statistical techniques used to analyze the empirical data were also described. These included descriptive statistics, Pearson's product moment correlations, and regression analyzes.

Chapter Seven will present and discuss the empirical results of these various statistical analyses.

CHAPTER SEVEN

EMPIRICAL EVALUATION OF THE RESULTS OF THE STUDY

7.1 INTRODUCTION

This chapter reports on the results of the empirical evaluation and analysis of the impact of the rules of business behaviour in the competitive banking environment of Uganda. This chapter focuses on the results of reliability (Cronbach's alpha values) and validity (exploratory factor analysis) assessments of the questionnaires used to gather data in this study. Descriptive statistics, regression analyzes and correlations are also outlined.

7.2 SUMMARY OF THE EMPIRICAL INVESTIGATION OBJECTIVES

The research investigated and analyzed perceptions of the rules of business behaviour in the competitive banking environment in Uganda. The research and analysis were based on the key variables of the rules of business behaviour in the competitive banking environment (see Figure 7.1 below). The study will provide useful insights into identifying key aspects related to the rules of business behaviour in the competitive banking environment. The questionnaire in this study was aimed at collecting data pertaining to the perceptions of rules of business behaviour in the competitive banking environment of Uganda. On the basis of the purpose of this study, the hypotheses will be stated again in order to put the study into perspective.

7.3 HYPOTHESES AND HYPOTHETICAL MODEL OF THE STUDY

7.3.1 The first set of hypotheses concerning rules of business behaviour in the competitive banking environment in Uganda

- **Hypothesis H^1:** There is a relationship between confrontational behaviour and the competitive banking environment in Uganda.

- **Hypothesis H^2:** There is a relationship between cooperation behaviour and the competitive banking environment in Uganda.

- **Hypothesis H^3:** There is a relationship between competitor typologies and the competitive banking environment in Uganda.

7.3.2 The second set of hypotheses concerning the impact of perceptions of competitive banking environment on outcomes

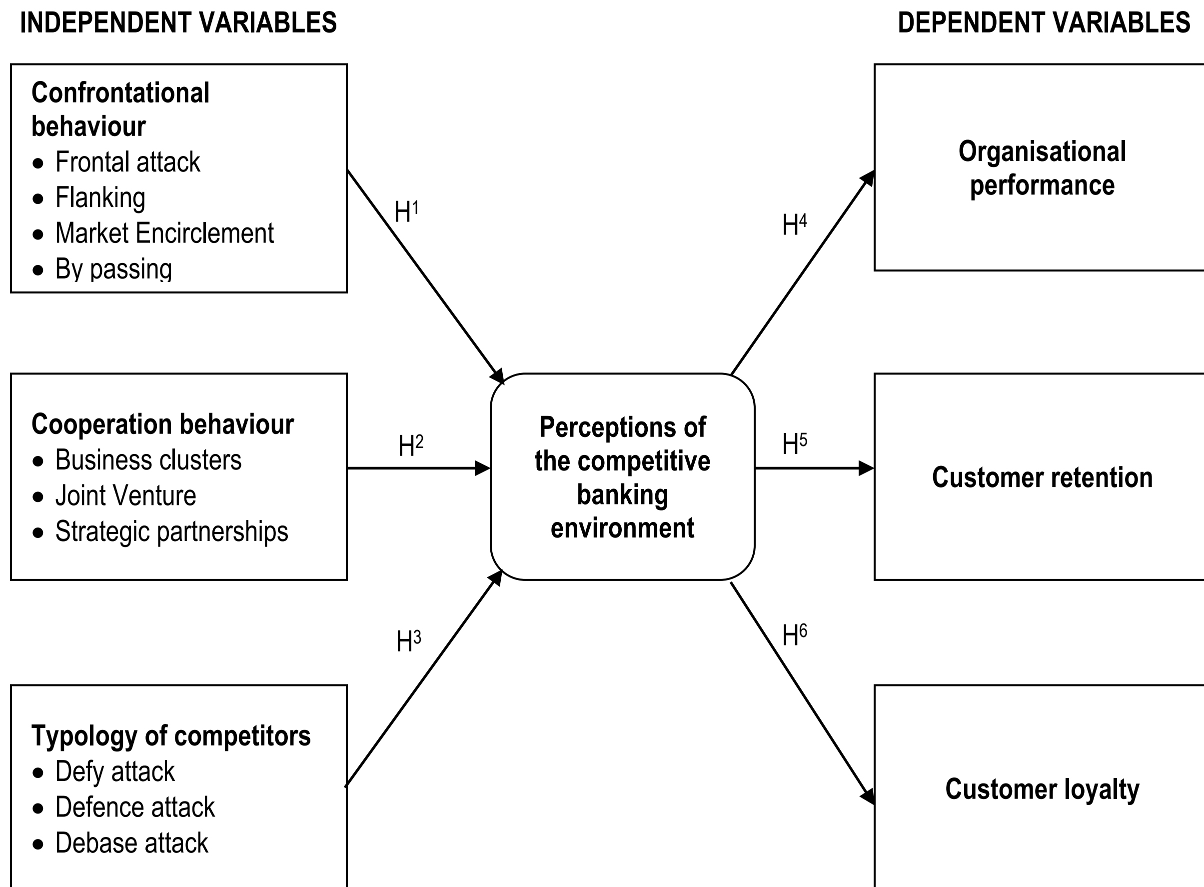
- **Hypothesis H^4:** There is a relationship between competition in the Ugandan banking environment and organisational performance.

- **Hypothesis H^5:** There is a relationship between competition in the Ugandan banking environment and customer retention.

- **Hypothesis H^6:** There is a relationship between competition in the Ugandan banking environment and customer loyalty.

Figure 7.1 indicates the hypothetical model of the study.

Figure 7.1: Hypothetical model of rules of business behaviour in a competitive banking environment



7.4 DATA ANALYSIS OF THE EMPIRICAL RESULTS

The data analysis consisted of four distinct phases and the empirical results were as follows:

- The objective of the first phase of data analysis was to assess the internal reliability of the measuring instruments used. This was done by calculating the Cronbach alpha values of each instrument, using the computer programme, STASTICA (Version 12) (Bryman & Bell 2007:162),

- The second phase of the statistical analysis evaluated the convergent validity of the various instruments used to measure the constructs under consideration. Validity was verified by means of factor analysis procedures, which were used to assess whether individual items are indeed separate measures of the underlying dimensions they are supposed to measure,
- During the third phase the influence of independent variables on the dependent variables specified in the model depicted in Figure7.1 were evaluated through multiple regression analysis, and
- The objective of the fourth phase was to test the hypothesized relationships

Table 7.1 outlines the abbreviations of the variables used in the study.

Table 7.1: Abbreviations of variables

VARIABLE	ABBREVIATION
CONFRONTATIONAL BEHAVIOUR (CFB)	
Limited Frontal Attack	LFA
Price-based Frontal Attack	PFA
Value-based Frontal Attack	VFA
Flanking	FLA
Market Encirclement	ME
Bypassing	BYP
Guerilla Warfare	GW
COOPERATION BEHAVIOUR (COB)	
Business Clusters	BC
Joint Ventures	JV
Strategic Business Relationships	SBR
TYPOLOGY OF COMPETITORS (TYP)	
Defy Attack	DEFA
Defense Attack	DE
Debase Attack	DEBA
INTERMEDIATE VARIABLE	
Perceptions of banking environment	BE
OUTCOMES	
Organisational performance	OP
Customer retention	CR
Customer loyalty	CL

7.4.1 Reliability of the instruments

Reliability is defined as the extent to which the measure provides consistent results across repeated testing (Sue & Ritter, 2012:227). According to Gravetter and Forzano (2010:84), reliability involves the consistency of test scores, which means that it is the degree to which one can expect relatively constant deviation scores of individuals across testing situations on the same, or parallel, testing instruments. Mouton and Prozesky (2009:121-123) as well as Cooper and Schindler (2013:445), advise researchers that reliability does not ensure the accuracy of a measuring instrument, and suggest that validity should be tested. Bayens and Roberson (2011:85) and Hall (2010:174) state that reliability will always follow validity, because research findings that are valid can automatically be regarded as reliable, but reliable findings are not necessarily valid.

One of the proposed and most commonly used measures of reliability is Cronbach's alpha. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekeran, 2003:307). Furthermore, the closer Cronbach's alpha is to 1, computed in terms of the average inter-correlations among the items measuring the concept, the higher the internal consistency reliability. According to Welman, Kruger and Mitchell (2005:183) various types of reliability include among others, internal consistency, which implies a degree of generalization across the items within the measurement. For this study, the Cronbach alpha coefficient was used to measure the internal consistency reliability. The computer programme Microsoft Excel, STATISTICA (Version 12) was used.

7.4.1.1 Internal reliability of instruments

Cronbach's alpha coefficients were used to assess the internal validity and consistency of the measuring instruments and STATISTICA (Version 12) computer package was used for that purpose. The result indicated in Table 7.2 show Cronbach's

alpha values between 0.7 – 0.9.

According to Cooper and Schindler (2013:322), a Cronbach's alpha coefficient is a type of reliability estimate or coefficient of internal consistency which is based on the average correlation of variables within a specific set of items measuring a construct. Cronhach's alpha is a measure of how well a set of variables or items measures a single construct. The greater the Cronbach's alpha coefficient, the more reliable the scale (Andrew, Pederson & McEvoy, 2011:202). According to Zikmund and Babin (2010:249), reliability coefficients of less than 0.50 are deemed unacceptable, while scales exhibiting a coefficient value between 0.80 and 0.96 are considered to have very good reliability. Scales with a coefficient value of between 0.70 and 0.80 have good reliability, and a coefficient value between 0.60 and 0.70 indicates fair reliability. However, when a coefficient value is below 0.60 the scale tends to have poor reliability. It is generally accepted that 0.70 will be the lower limit for the Cronbach's alpha coefficients (Bryman & Bell, 2007:162-163).

In this study, Cronbach's alpha coefficients were used to measure the degree of reliability of the scales measuring the various factors under investigation, and consequently, used to determine which items would be included to measure the various constructs. Cronbach's alpha coefficients of less than 0.70 were considered unacceptable. In conclusion, the study retained all the Cronbach alphas for further analysis since they were above the cutoff point.

Table 7.2: Cronbach's alpha values of measuring instruments: Theoretical model

Measuring instrument	Alpha value
Confrontational behaviour (CFB)	0.89
Cooperation behaviour (COB)	0.91
Typology of competitors (TYP)	0.85
Banking environment perceptions (BE	0.76
Organisational performance (OP)	0.87
Customer retention (CR)	0.85
Customer loyalty (CL)	0.82

7.4.2 Descriptive statistics

Zikmund and Babin (2010:622) distinguish descriptive statistics as the elementary transformation of data in a way that describes the basic characteristics such as central tendency, distribution and variability. Descriptive statistics is concerned with presentation and organisation of data so that it can be measured from central tendency such as means, median and measures of dispersion such as standard deviation and range. Table 7.3 shows the descriptive statistics of the variables that were measured on a seven-point Likert scale. The degree at which each respondent agreed or disagreed with the statements in the questionnaire is indicated by selecting from given options ranging from one to seven. The Likert scale in the questionnaire was given as (1-strongly disagree; 2-disagree; 3-somewhat disagree; 4-neutral; 5-somewhat agree, 6-agree and 7-strongly agree). Table 7.3 shows that respondents feel that direct confrontational behaviour influences competitive banking environment with a mean score of 5.84. This means that respondents agree with this notion. Further indirect confrontational behaviour also influences a competitive banking environment with a mean score of 5.02. Table 7.3 shows that cooperation behaviour has a mean value of 5.36 and a standard deviation of 0.96. This means that respondents believe that cooperation behaviour also impacts on the competitive banking environment. The typology of competitors has a mean score of 3.88. This is a low mean score. This means that according to the respondents the typology of competitors does not influence the competitive banking environment. Table 7.3 further reveals that the banking environment has a mean score of 5.39. This means that respondents perceive the competitive banking environment as favourable.

Table 7.3 further indicates that respondents perceived organisational performance as a major outcome resulting from a competitive banking environment with a mean score of 5.80, whilst customer retention was also highly perceived by respondents as an outcome arising from a competitive banking environment with a mean score of 5.79.

Table 7.3 further reveals that customer loyalty with a mean score of 5.86 implies that respondents perceived it as an outcome from the competitive banking environment. It also appears that most standard deviation scores (except for CFB2) are below one, indicating not much variability around the mean scores.

Table 7.3: Descriptive statistics for each variable: general sample response per category

VARIABLE	MEAN	STANDARD DEVIATION
Confrontational behaviour (CFB) 1	5.84	0.70
Confrontational behaviour(CFB)2	5.02	1.05
Cooperation behaviour (CFB)	5.36	0.96
Typology of competitors (TYP)	3.88	1.00
Bank environment (BE)	5.39	0.81
Organisational performance(OP)	5.80	0.78
Customer retention (CR)	5.79	0.75
Customer loyalty (CL)	5.86	0.76

7.4.3 Validity of the measuring instruments

The assessment of correlations was done by utilising a computer package. The next step in the data analysis was the assessment of the validity of all the variables indicated in Table 7.2. Construct validity was assessed by means of convergent and discriminant validity. Factor analysis was considered as the best method of choice as it reduces large numbers of variables into smaller sets of variables. It also establishes underlying dimensions between measured variables and latent constructs, allowing the formation and refinement of theory and providing construct validity evidence of self-reporting scales.

7.5 EXPLORATORY FACTOR ANALYSIS

Zikmund and Babin (2010:625) defined factor analysis as a prototypical multivariate, interdependency technique of statistically identifying a reduced number of factors from a larger number of measured variables. Factor analysis is considered a data reduction technique. It allows the researcher to summarise information from many variables into

a reduced set of variates or composite variables. Factor analysis accomplishes data reduction by capturing variance from many variables with a single variate (Zikmund & Babin, 2010). Data reduction is also a way of identifying which variables among a large set might be important in some analysis. Thus data reduction simplifies decision making. Very low loadings suggest that a variable does not contribute much to the factor. Factor analysis is commonly used to reduce the number of variables that need to be included in a regression analysis.

According to Zikmund and Babin (2010) the factors themselves are not measured, but instead they are identified by a variate using the measured variables. Factors are usually latent constructs such as attitudes or satisfaction or an index like social class. Factor analysis can be divided into two; exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) (Zikmund & Babin (2010:625).

Exploratory factor analysis (EFA) is performed when the researcher is uncertain about how many factors may exist among a set of variables, and confirmatory factor analysis (CFA) is performed when the researcher has a strong theoretical expectations about the factor structure before performing the analysis. According to Zikmund and Babin (2010) CFA is the best single tool for assessing construct validity. One big advantage is that, CFA provides a test of how well the researcher's 'theory' about the factor structure fits the natural observations.

Zikmund and Babin (2010:626) point out that a factor loading indicates how strongly correlated a factor is with a measured variable. In other words, to what extent does a variable load on a factor. Zikmund and Babin (2010) maintain that EFA depends on the loadings for proper interpretation. The interpretation of a latent construct can be based on the pattern of loadings and the content of the variables. In this way, the latent construct is measured indirectly by the variables. Loading estimates are provided by factor analysis programmes. Hair, Black, Babin and Anderson (2014:115) suggest that factor loadings in the range of .30 to .40 are considered to meet minimal level for interpretation of structure. Furthermore loadings of 0.30 are significant only for sample

sizes of 350 or greater. Thus in this study, a loading of 0.4 and above was considered significant to confirm validity. Costello and Osborne (2005:5) suggest that a factor with fewer than three (.3 or less) items is generally weak and unstable, whilst five or more (.50 or better) strongly loading items are desirable and indicate a silid factor. For the purpose of this study, the factor loading of three items per factor is considered significant and any factors that fail to load three and more items are considered insignificant and as such will be deleted and ignored for any further analysis.

The computer programme STATISTICA (version 12) was used to conduct three sets of exploratory factor analyzes. The first set involved general perceptions of the confrontational behaviour (CFB) and cooperation behaviour (COB) by employees. The second factor analysis involved the typology of competitors (TYP) and perceptions of the banking environment (BE). The last factor analysis involved the potential outcomes of competition in the banking environment, namely, organisational performance (OP), customer loyalty (CL) and customer retention (CR).

7.5.1 Employee perceptions of confrontational behaviour and cooperation behaviour

The first exploratory factor analysis results shown in Table 7.4 reveals that thirteen of the fifteen items (BC2, BC3, BC4, BC5, JV1, JV2, JV3, JV4, JV5, SBR2, SBR3, SBR4, SBR5) expected to measure ‘cooperation behaviour’ loaded on factor one (1). This means that respondents viewed these items as measures of a single construct ‘cooperation behaviour’. Two of the fifteen items expected to measure ‘cooperation behaviour’ were deleted as one (BC1) did not load to a significant extent and one (SBR1) cross loaded. In other words, these items did not demonstrate sufficient discriminant validity.

Table 7.4, below, indicates that the respondents viewed ‘confrontational behaviour’ as a two-dimensional variable. This indicates that the respondents did not perceive ‘confrontational behaviour’ as a single construct. Thirteen (LFA2, PFA3, VFA1, VFA2,

VFA3, VFA4, VFA5, FLA1, FLA2, ME1, ME2, ME3, ME4) of the twenty five items that were expected to measure 'confrontational behaviour' loaded onto factor two (2); these items are termed '*direct confrontational behaviour*'. Nine items (PFA1, PFA2, FLA4, BYP1, BYP2, BYP4, GW1, GW2, GW3) loaded onto factor three (3), and these items are termed *'indirect confrontational behaviour''.* The fact that items that were expected to measure 'confrontational behaviour' loaded onto two different factors, with values greater than 0.4, demonstrates sufficient discriminant validity for further analysis. Three items that are expected to measure 'confrontational behaviour' (LFA1, FLA3, BYP3), did not load to a significant extent ($p < 0.04$) and this led to the deletion of these items and were not used in subsequent analyzes.

Table 7.4: Factor loadings: employee perceptions of confrontational behaviour and cooperation behaviour

Items	Factor 1	Factor 2	Factor 3
	Cooperation behaviour (COB)	Direct Confrontational behaviour (CFB 1)	Indirect Confrontational behaviour(CFB2)
BC2	**0.451387**	0.268385	0.186941
BC3	**0.497215**	0.344573	0.103160
BC4	**0.483900**	0.302330	0.043037
BC5	**0.621174**	0.183150	0.127111
JV1	**0.533904**	0.145698	0.277097
JV2	**0.662458**	0.227741	0.109795
JV3	**0.708093**	0.244764	0.110689
JV4	**0.718881**	0.264394	0.071072
JV5	**0.711606**	0.178544	0.170504
SBR2	**0.719306**	0.102676	0.201256
SBR3	**0.757646**	0.125151	0.217535
SBR4	**0.669523**	0.023680	0.266059
SBR5	**0.725005**	-0.078439	0.136071
LFA2	0.088104	**0.532228**	0.298976
PFA3	0.094258	**0.445752**	0.351493
VFA1	0.123247	**0.578861**	0.226239
VFA2	0.141399	**0.616973**	0.191078
VFA3	0.174207	**0.655197**	0.189117
VFA4	0.126116	**0.656900**	0.175006
VFA5	0.140729	**0.656594**	0.092007
FLA1	0.075985	**0.663947**	-0.078163

FLA2	0.167694	**0.416684**	0.182845
ME1	0.291979	**0.419204**	0.164599
ME2	0.199008	**0.581440**	0.132295
ME3	0.343041	**0.556057**	0.096773
ME4	0.258857	**0.611424**	0.127646
PFA1	0.222500	0.127442	**0.495964**
PFA2	0.075403	0.176583	**0.525445**
FLA4	0.167919	0.058868	**0.514448**
BYP1	0.307277	0.290840	**0.465321**
BYP2	0.367244	0.065408	**0.416100**
BYP4	0.300253	0.122081	**0.637833**
GW1	0.265784	0.156929	**0.691314**
GW2	0.242691	0.107691	**0.755886**
GW3	0.230919	0.245623	**0.629399**
Expl.Var	7.160441	5.373303	4.415465
Prp.Totl	0.179011	0.134333	0.110387

The loadings which were greater than, 0.4, were considered significant.

7.5.2 Employee perceptions of typology of competitors in the banking environment

Table 7.5 indicates that eleven of fifteen items expected to measure ‘typology of competitors’ (DEFA1, DEFA2, DEFA3, DEFA4, DE4, DE5, DE6, DEBA1, DEBA2, DEBA3, DEBA4) and three items expected to measure ‘competition in the banking environment’ (BE1, BE3, BE4) loaded on factor one (1). These items were regarded as a measurement of ‘typology of competitors’. One item that was expected to measure (DEFA5) ‘typology of competitors’, did not load to a significant extent ($p < 0.04$) and one item (DE3) that was expected to measure ‘typology of competitors’ cross loaded, this led to the deletion of these items and were not used in subsequent analyzes. Table 7.5 further indicates that seven of the ten items (BE2, BE5, BE6, BE7, BE8, BE9, BE10) that were expected to measure ‘perceptions of competition in the bank environment’, as well as two of the fifteen items that are expected to measure ‘typology of competitors’ (DE1, DE2) loaded on factor two (2) and were regarded as a measure of ‘competition in the banking environment’.

Table7.5: Factor loadings: Employee perceptions of typology of competitors and the bank environment

Items	Factor 1	Factor 2
	Typology of competitors	Bank environment
DEFA1	**0.700201**	0.063492
DEFA2	**0.662784**	0.107673
DEFA3	**0.659731**	0.033112
DEFA4	**0.622951**	0.107851
DE4	**0.666322**	0.031012
DE5	**0.495994**	0.189510
DE6	**0.595521**	0.080001
DEBA1	**0.543065**	-0.196233
DEBA2	**0.580336**	-0.149474
DEBA3	**0.514704**	-0.121709
DEBA4	**0.514640**	0.188202
BE1	**0.402530**	0.372585
BE3	**0.584904**	0.158280
BE4	**0.642961**	0.009591
DE1	0.354177	**0.566958**
DE2	0.274397	**0.533364**
BE2	0.377613	**0.424801**
BE5	0.332312	**0.433052**
BE6	-0.091370	**0.656286**
BE7	-0.063189	**0.673380**
BE8	-0.051726	**0.749117**
BE9	0.060413	**0.645294**
BE10	-0.004743	**0.714143**
Expl.Var	5.630383	3.957897
Prp.Totl	0.225215	0.158316

The loadings which were greater than, 0.4, were considered to be significant.

7.5.3 Outcomes of competition in the banking environment: Organisational performance, customer loyalty and customer retention

Table 7.6 indicates that of the five items (OP1, OP2, OP3, OP4, OP5) expected to measure ‘organisational performance’, loaded on factor one (1). This means that respondents viewed these items as measures of a single construct termed

'organisational performance'. Table 7.6 indicates that five of the six items expected to measure 'customer loyalty' (CL1, CL2, CL3, CL5, CL6) loaded on factor two (2). This means that respondents viewed these items as measures of a single construct termed 'customer loyalty'. Four (CR1, CR2, CR4, CR5) of the six items that are expected to measure 'customer retention' as well as one item (OP6) that was expected to measure 'organisational performance' loaded on factor three (3). These items were regarded as measures of 'customer retention'. Two of the eight items expected to measure 'organisational performance' (OP7, OP8) and two items expected to measure 'customer retention' (CR3, CR6) as well as one item expected to measure 'customer loyalty' (CL4) cross loaded. All these items were deleted as they lack of sufficient validity for further analysis.

Table 7.6: Factor loadings: Outcomes of competitive banking environment

Items	Factor 1	Factor 2	Factor 3
	Organisational performance(OP)	Customer loyalty(CL)	Customer retention(CR)
OP1	**0.772380**	0.205598	0.190638
OP2	**0.730042**	0.298703	0.180044
OP3	**0.599631**	0.209903	0.296430
OP4	**0.702918**	0.203156	0.224597
OP5	**0.609342**	0.240234	0.257620
CL1	0.372428	**0.548306**	0.189049
CL2	0.177100	**0.728540**	0.140414
CL3	0.072992	**0.768999**	0.156777
CL5	0.240897	**0.504397**	0.390199
CL6	0.226791	**0.556292**	0.246781
CR1	0.341504	0.285590	**0.628955**
CR2	0.351496	0.174168	**0.592320**
CR4	0.132105	0.232346	**0.718990**
CR5	0.182622	0.228078	**0.716945**
OP6	0.358592	0.088046	**0.607630**
Expl.Var	4.071598	3.187827	3.960437
Prp.Totl	0.203580	0.159391	0.198022

The loadings that were greater than, 0.4, were considered to be significant.

Table 7.4 shows that as a result of the exploratory factor analysis, the independent variable 'confrontational behaviour' split into two separate variables, namely 'direct confrontational behaviour' (CFB1) and 'indirect confrontational behaviour (CFB2)'. As a result of the discriminant validity assessment with the exploratory factor analysis, some items were deleted and new variables were formed. Thus, the original theoretical model had to be adapted. This means that the reliability of the new and adapted variables had to be reassessed.

7.5.4 Cronbach's alpha values of latent variables based on the results of factor analysis: Theoretical model

Table 7.7 summarises the items which are regarded as measures of individual variables in the theoretical model following the exploratory factor analyzes. The study retains CBF (1), CBF (2), COB, TYP, BE, OP, CL and CR, since their Cronbach's alpha values were above the cut-off point. Table 7.7 indicates that all Cronbach's reliability coefficients are above 0.70 which is regarded as acceptable for the purpose of this study. This indicates that all instruments have a fair reliability of 0.70 and above. These results are summarised in Table 7.8 by means of an empirical factor structure used for regression analysis.

Table 7.7: Factor loadings: Cronbach's alpha coefficients of the latent variables which are based on the comprehensive exploratory factor analysis

LATENT VARIABLE	ITEMS	Alpha
Direct confrontational behaviour (CFB1)	LFA2, PFA3, VFA1, VFA2, VFA3, VFA4, VFA5, FLA1, FLA2, ME1, ME2, ME3, ME4	0.866
Indirect confrontational behaviour (CFB2)	PFA1, PFA2, FLA4, BYP1, BYP2, BYP4, GW1, GW2, GW3	0.826
Cooperation behaviour (COB)	BC2, BC3, BC4, BC5, JV1, JV2, JV3, JV4, JV5, SBR2, SBR3, SBR4, SBR5	0.906
Typology of competitors (TYP)	DEFA1, DEFA2, DEFA3, DEFA4, DE4, DE5, DE6, DEBA1, DEBA2, DEBA3, DEBA4, BE1, BE3, BE4	0.861
Bank environment (BE)	DE1, DE2, BE2, BE5, BE6, BE7, BE8, BE9, BE10	0.796

Organisational performance (OP)	OP1, OP2, OP3, OP4, OP5	0.830
Customer loyalty (CL)	CL1, CL2, CL3,CL5, CL6	0.802
Customer retention (CR)	CR1, CR2, CR4, CR5, OP6	0.820

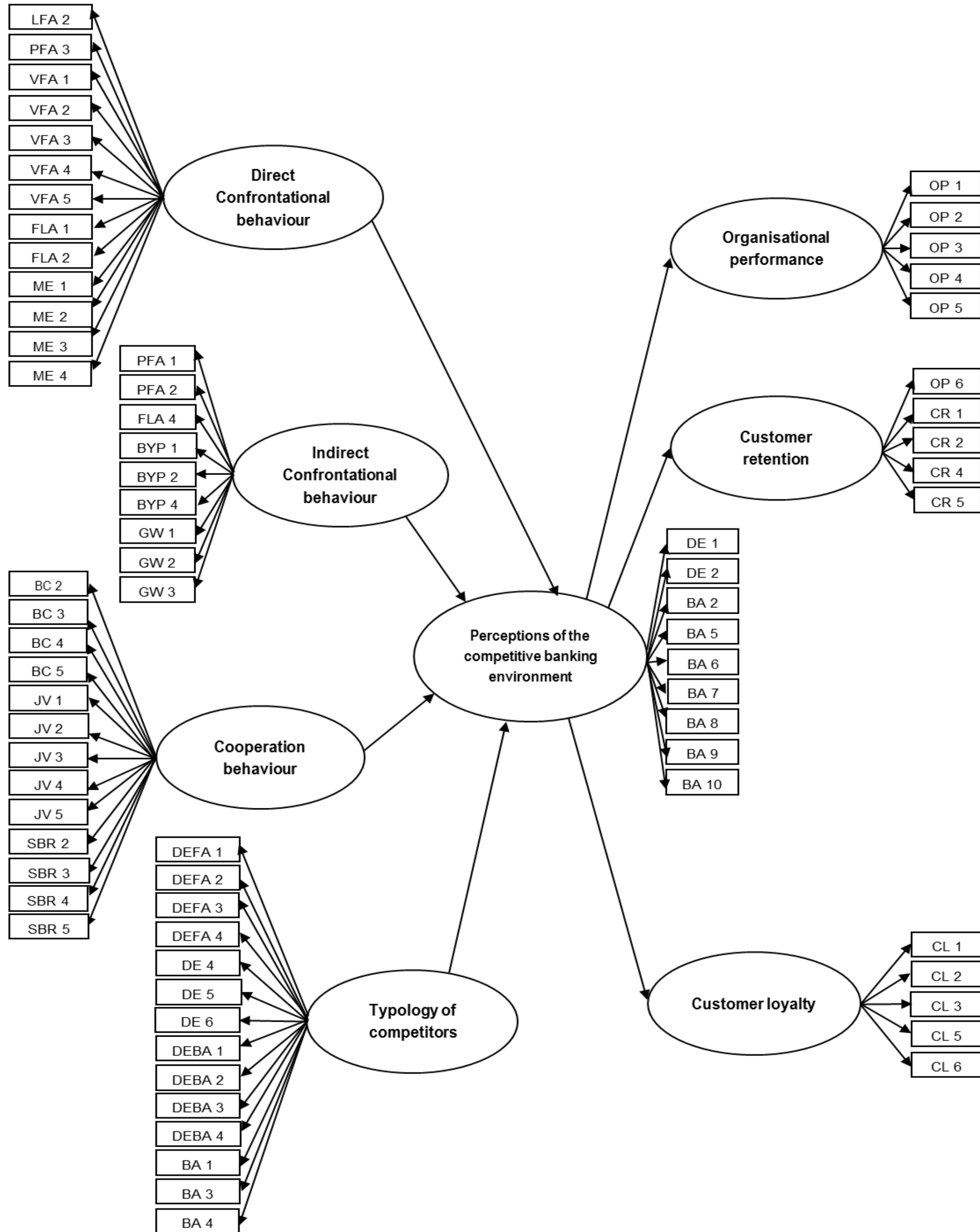
Subsequently the reliability and validity assessment, four independent variables (Direct confrontational behaviour, Indirect confrontational behaviour, Cooperation behaviour and Typology of competitors), an intervening variable (Perceptions of competition in the banking environment) and three dependent variables (Organisational performance, Customer loyalty and Customer retention) remained in the empirical model. The latent variables, and the individual items measuring them, are summarised in Table 7.8.

Table 7.8: Empirical factor structure for regression analysis for latent variables

LATENT VARIABLE	ITEMS
Direct confrontational behaviour (CFB1)	LFA2, PFA3, VFA1, VFA2, VFA3, VFA4, VFA5, FLA1, FLA2, ME1, ME2, ME3, ME4
Indirect confrontational behaviour (CFB2)	PFA1, PFA2, FLA4, BYP1, BYP2, BYP4, GW1, GW2, GW3
Cooperation behaviour (COB)	BC2, BC3, BC4, BC5, JV1, JV2, JV3, JV4, JV5, SBR2, SBR3, SBR4, SBR5
Typology of competitors (TYP)	DEFA1, DEFA2, DEFA3, DEFA4, DE4, DE5, DE6, DEBA1, DEBA2, DEBA3, DEBA4, BE1, BE3, BE4
Bank environment (BE)	DE1, DE2, BE2, BE5, BE6, BE7, BE8, BE9, BE10
Organisational performance (OP)	OP1, OP2, OP3, OP4, OP5
Customer loyalty (CL)	CL1, CL2, CL3,CL5, CL6
Customer retention (CR)	CR1, CR2, CR4, CR5, OP6

The empirical factor structure as summarised in Table 7.8 was therefore exposed to a multiple regression analysis using the programme STATISTICA (version 12). As a result of the scale purification process, the original hypotheses had to be reformulated and the theoretical model (Figure 7.1) had to be adapted.

Figure 7.2: The adapted model of the relationships among variables based on perceptions of employees and results of the competition in the banking environment



7.6 REFORMULATION OF HYPOTHESES

7.6.1 The first set of hypotheses concerning rules of business behaviour in the

competitive banking environment in Uganda

H_1: There is a relationship between confrontational behaviour and the perceptions of the competitive environment in Uganda.

The hypotheses subjected to empirical verification (Figure 7.3) were:

H^1 is modified into $H^{1.1}$ and $H^{1.2}$.

$H^{1.1}$: There is a relationship between direct confrontational behaviour and competition in the banking environment.

$H^{1.2}$: There is a relationship between indirect confrontational behaviour and competition in the banking environment.

H_2: There is a relationship between cooperation behaviour and competition in the banking environment.

H_3: There is a relationship between competitor typology and competition in the banking environment.

7.6.2 The second set of hypotheses concerning rules of business behaviour in the competitive banking environment in Uganda

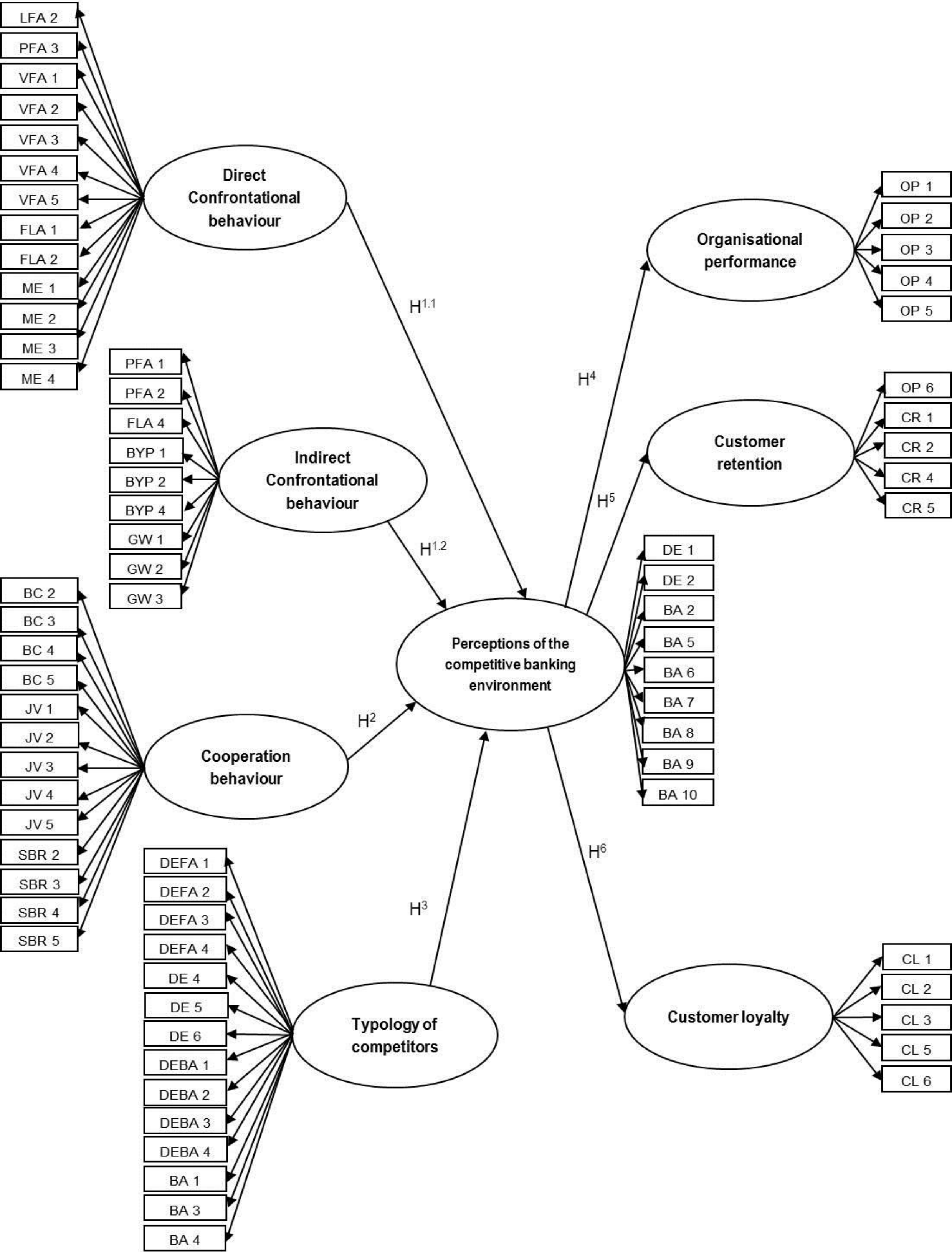
H_4: There is a relationship between the perceptions of competition in the banking environment and organisational performance

H_5: There is a relationship between perceptions of competition in the banking environment and customer retention

H_6: There is a relationship between the perceptions of competition in the banking environment and customer loyalty.

In this chapter the hypothesized relationships are assessed in a modified theoretical model, as indicated in Figure 7.3.

Figure 7.3: The hypothesized model of employees' perceptions of the rules of business behaviour in the competitive banking environment



7.7 REGRESSION ANALYSIS

Regression analysis is utilized to examine factors in circumstances where the intention is to predict one variable which is based on numerous independent factors. Regression analysis assumes that the correlation which involves two variables is linear, that is, an increase in the values on one variable is linked with either an increase (positive relationship) or decrease (negative relationship) in another variable, and that changes in the value on both variables occur at the same rate (Zikmund & Babin, 2010:618). Churchhill and Iacobucii (2002:72) indicate that it is important to have an additional predictor variable when a researcher predicts human behaviour, particularly when a statistical technique, such as, multiple regressions is used to test theories or models which concern variables that affect behaviour.

Using the modified conceptual model, linear regression analyzes were performed to establish the relationships formulated in the relevant set of hypotheses. Linear regression analysis is a technique for measuring the linear association between an independent and a dependent variable. Linear regression analysis assumes that the dependent variable is predictably linked to the preceding variable (Zikmund & Babin, 2010). This means that the researcher could reject or not reject hypotheses which are based on the regression procedure. According to Wegner (2007:309), in order to evaluate objectively, the “success” of the independent variables, in predicting the variation in the dependent variable, a “goodness-of-fit” measure is required. One such measure is the coefficient of determination denoted by R2. The R2 value varies between one and zero.

For the purpose of this study, regression analysis was performed to establish the influence of independent variables on dependent variables. The first level of regression analysis tested the relationship between the independent variables suggested in the model of the study and the outcome (dependent) variable ‘business behaviour’. The second level of analysis tested the influence of the moderating variable to each of the outcomes (dependent) variables.

7.7.1 The influence of employees' perceptions regarding competition in the banking environment

7.7.1.1 The influence of direct confrontational behaviour, indirect confrontational behaviour, cooperation behaviour and typology of competitors.

Table 7.9 indicates that direct confrontational behaviour (b = 0.563, $p < 0.001$), cooperation behaviour (b = 0.139, $p < 0.001$) and typology of competitors (b = 0.179, $p < 0.001$) are positively related to competition in the banking environment. In total, the R^2 of 0.505 explains the 51% of variability in the model explained by the moderating variable (competition in the banking environment) as shown in Table 7.9. Table 7.9 further indicates that indirect confrontational behaviour (r = -0. 075, NS) does not exert significant influence on 'competition in the banking environment'. This implies that respondents believe that in a competitive environment businesses have to be more aggressive as depicted by direct confrontation than being indirect.

Table 7.9: Regression analysis: The Influence of Direct confrontational behaviour (CFB1), Indirect confrontational behaviour (CFB2), Cooperation behaviour (COB) and Typology of competitors (TYP)

	REGRESSION SUMMARY FOR DEPENDENT VARIABLE: COMPETITION IN THE BANKING ENVIRONMENT (BE)					
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
CFB(1)	**0.485**	0.038	**0.563**	0.044	**12.733**	**0.001*****
CFB(2)	**0.075**	0.041	**0.058**	0.032	**1.833**	**0.067**
COB	**0.164**	0.040	**0.139**	0.034	**4.072**	**0.001****
TYP	**0.221**	0.032	**0.179**	0.026	**6.866**	**0.001*****

R	**R^2**	**F**	**Std Error of estimate**	**P**
71%	0.50538158	133.85	0.57423	p< .00000

* = p < 0.05
** = p < 0.01
*** = p < 0.001

7.7.2 The influence of the organisational performance, customer loyalty and customer retention

7.7.2.1 The influence of perceptions of the competitive banking environment on organisational performance

Table 7.10 shows that the R^2 of 0.323 indicates that 32% of the variability in the model is explained by the variable 'organisational performance'. This means that competition in the banking environment has a positive relationship with organisational performance ($b = 0.546$, $p < 0.001$).

Table 7.10: Regression analysis: The influence of the competitive banking environment on organisational performance

	REGRESSION SUMMARY FOR DEPENDENT VARIABLE: ORGANISATIONAL PERFORMANCE					
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Bank Environment (BE)	**0.568**	0.036	**0.546**	0.034	15.850	**0.001*****
R	**R^2**	**F**	**Std Error of estimate**	**P**		
57%	0.32280300	251.21	0.64357	p<0 .00000		

* = p < 0.05
** = p < 0.01
*** = p < 0.001

7.7.2.2 The influence of competition in the banking environment on customer loyalty

Table 7.11 shows that the R^2 of 0.205 indicates that 21% of the variability in the model is explained by the variable 'customer loyalty'. This means that customer loyalty ($b = 0.420$, $p < 0.001$) has a positive relationship with competition in the banking environment.

Table 7.11: Regression analysis: the influence of competitive banking environment on customer loyalty

	REGRESSION SUMMARY FOR DEPENDENT VARIABLE: CUSTOMER LOYALTY					
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Bank environment (BE)	**0.453**	0.039	**0.420**	0.036	11.673	**0.001*****
R	**R^2**	**F**	**Std Error of estimate**	**P**		
45%	0.20542449	136.25	0.67255	p<0 .00000		

* = p < 0.05
** = p < 0.01
*** = p < 0.001

7.7.2.3 The influence of perceptions of competition in the banking environment on customer retention

Table 7.12 shows that the R^2 of 0.366 indicates that 37% of the variability in the model is explained by the variable 'customer retention'. This means that customer retention ($b = 0.563$, $p < 0.001$) has a positive relationship with competition in the banking environment.

Table 7.12: Regression analysis: Influence of competitive banking environment on customer retention

	REGRESSION SUMMARY FOR DEPENDENT VARIABLE: CUSTOMER RETENTION					
Parameter	Beta b*	Std. Error	B	Std Error	T value	P-value
Bank environment (BE)	**0.605**	0.035	**0.563**	0.032	17.430	**0.001*****
R	**R^2**	**F**	**Std Error of estimate**	**P**		
60%	0.36564289	303.76	0.60414	p<0 .00000		

* = p < 0.05
** = p < 0.01
*** = p < 0.001

According to Table 7.9 indirect confrontational behaviour does not exert a significant influence on competition in the banking environment

The t-values reported in Tables 7.9 to 7.12 indicate that the higher the t-values, the stronger the impact of the independent variables on 'competition in the banking environment'. In contrast the t-values of the intervening variable indicate a high impact on dependent variables. Table 7.9 indicates that direct confrontational behaviour has a strong impact on competition in the banking environment with the high t-value ($t = 12.733$), followed by the moderate impact of typology of competitors on competition in the banking environment with a moderate t-value ($t = 6.866$). Table 7.9 further reveals a low impact of cooperation behaviour on competition in the banking environment with t-value ($t = 4.072$). Table 7.10, indicates the strongest impact of 'competition in the banking environment' on customer retention with a highest t-value ($t = 17.428$), followed by organisational performance with a high t-value ($t = 15.849$) as shown in Table 7.12. Similarly, competition in the banking environment has a strong impact on customer loyalty with a high t-value ($t = 11.672$) as shown in Table 7.11. It can, therefore, be concluded that most of the correlations between the latent variables are positive and significant. Table 7.9 indicates a weak impact of 'indirect confrontational behaviour' on competition in the banking environment.

7.8 FINDINGS ON HYPOTHESIZED RELATIONSHIPS

7.8.1 Findings on the first set of hypotheses

$H^{1.1}$: ***There is a relationship between direct confrontational behaviour and competition in the banking environment.***

Table 7.9 reports a statistically significant positive relationship between direct confrontational behaviour and competition in the banking environment ($p < 0.001$). This means that there is a significant positive correlation between direct confrontational

behaviour and competition in the banking environment $r = 0.485$ and t value ($t=12.733$). Therefore $H^{1.1}$ is accepted.

$H^{1.2}$: ***There is a relationship between indirect confrontational behaviour and competition in the banking environment.***

Table 7.9 indicates that indirect confrontational behaviour and competition in the banking environment is not significantly related to propensity to resign ($r = 0.075$, NS). This means that there is no significant correlation between indirect confrontational behaviour and competition in the banking environment. Therefore, $HO^{1.2}$ is rejected and the alternative is accepted.

H^2: ***There is a relationship between cooperation behaviour and competition in the banking environment.***

Table 7.9 reports a statistically significant positive relationship between cooperation behaviour and competition in the banking environment ($p < 0.001$). This means that there is a significant positive correlation between cooperation behaviour and competition in the banking environment $r = 0.164$ and t value ($t= 4.073$). Therefore H^2 is accepted.

H^3: ***There is a relationship between typology of competitors and competition in the banking environment.***

Table 7.9 reports a statistically significant positive relationship between typology of competitors and competition in the banking environment ($p < 0.001$). This means that there is a significant positive correlation between typology of competitors and competition in the banking environment $r = 0.221$ and t value ($t=6.866$). Therefore H^3 is accepted.

7.8.2 Findings on the second set of hypotheses

H^4: ***There is a relationship between perceptions of competition in the banking environment and organisational performance.***

Table 7.10 reports a statistically significant positive relationship between competition in the banking environment and organisational performance ($p < 0.001$). This means that there is a significant positive correlation between competition in the banking environment and organisational performance $r = 0.568$ and t value ($t = 15.850$). Therefore H^4 is accepted.

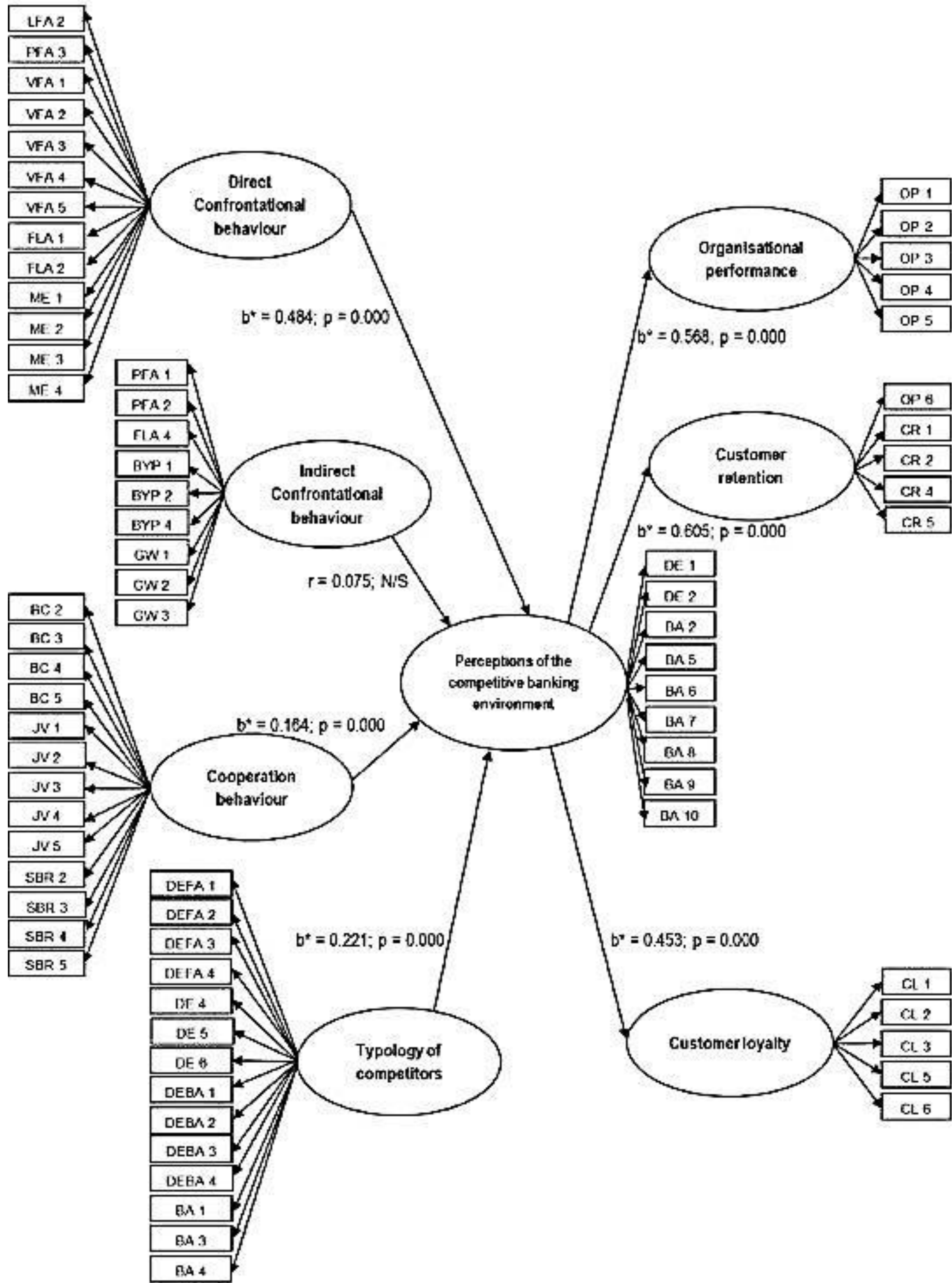
H^5: ***There is a relationship between perceptions of competition in the banking environment and customer retention.***

Table 7.12 reports a statistically significant positive relationship between competition in the banking environment and customer retention ($p < 0.001$). This means that there is a significant positive correlation between competition in the banking environment and customer retention $r = 0.605$ and t value ($t = 17.430$). Therefore H^5 is accepted.

H^6: ***There is a relationship between perceptions of competition in the banking environment and customer loyalty.***

Table 7.11 reports a statistically significant positive relationship between competition in the banking environment and customer loyalty ($p < 0.001$). This means that there is a significant positive correlation between competition in the banking environment and customer loyalty $r = 0.453$ and t value ($t = 11.673$). Therefore H^6 is accepted.

Figure 7.4: Summary of the regression analysis results



7.9 SUMMARY

This chapter reports and offers the results of the statistical analysis which was performed. In this chapter Cronbach's alpha reliability coefficients were calculated for all the instruments used to measure the variables in the empirical model of the study and descriptive statistics were presented and discussed. Three sets of exploratory factor analyzes were carried out to assess the discriminant validity of the variables and the existing association between the constructs were revealed and reported.

The first set of three factor analyses involved employees' perceptions of confrontational behaviour. The second set involved employees' perceptions of typology of competitors within the banking environment. The third set involved the outcomes of competition in the banking environment measured by organisational performance, customer loyalty and customer retention. Cronbach's alpha reliability coefficients were calculated for all the revealed factors. A multiple regression analysis was used to investigate the effects of two or more independent variables on a single or interval-scaled independent variable. Linear regression analyzes were also performed to establish the relationships formulated in the relevant set of hypotheses in the proposed model of the study and the results were reported.

The next chapter discusses the interpretation of the empirical findings of this chapter, the managerial implications of the study as well as the limitations of this study. The empirical results show that the perceptions of the rules of business behaviour in a competitive environment influence the outcomes (organisation performance, customer loyalty and customer retention) in the banking environment.

CHAPTER EIGHT

SUMMARY, CONCLUSIONS, MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

8.1 INTRODUCTION

Chapter eight summarizes the empirical findings as reported in the previous chapter and compares them to the findings of previous studies. Where appropriate, the managerial implications of the findings are discussed. To facilitate the discussion, the empirical findings and limitations of the study are discussed and presented in Figure 8.1. Furthermore, this chapter provides summaries of all chapters and it presents the conclusions of the empirical findings, as well as suggesting areas for further research. The main objective of this study was to assess the rules of business behaviour in the competitive banking environment in Uganda and the influence of the competitive banking environment on outcomes such as organisational performance, customer retention and customer loyalty.

8.2 SUMMARY OF OBJECTIVES AND FINDINGS OF THE CHAPTERS

Chapter One discusses the background of the study, introduces the problem statement, outlines the purpose and objectives of the research (primary and secondary), the significance of the study, research questions, and hypotheses. This chapter also offers a brief discussion of the concepts of the study and presents the research methodology which is used to carry out the study. Additionally, a brief review of literature that is pertinent to this study is discussed. Furthermore, the scope of the study is presented and finally, a summary of prior research on the competitive banking environment in Uganda is presented.

Chapter Two offers an overview of the banking business environment in which the banking industry operates in Uganda. The analysis explores both domestic and foreign business environment which impact on competitive banking industry. The analysis of the domestic business environment concentrates on the micro and macro business environment which prevails in Uganda. Chapter two further analyzes the business banking environment in relation to the global environment. The analysis highlights the strength and weaknesses of the business environment currently operating in Uganda with the view to highlighting the suitability of a competitive banking environment.

Chapter Three is an overview of the rules of business behaviour in a competitive banking environment. It describes the concept of business rules and their relationships. The rules of business behaviour in a competitive environment which are discussed, namely, confrontational behaviour, cooperation behaviour and typology of competitors. The chapter describes the confrontation behaviour strategies that are used when dealing with competition (frontal attack, flanking, market encirclement, by passing and guerilla warfare). Strategies of cooperation behaviour that are used (business clusters, joint ventures and strategic partnerships) and the typology of competitors described as, defy, defense and debase attacks are briefly explained. Furthermore, the theoretical review of the rules of business behaviour in various scholarly propositions are discussed. This chapter links the competitive banking environment with the competitive environment in chapter five.

Chapter Four discusses some literature on the nature of competitions as well as the different theories of competition. The chapter also explains the role of competition in the industry, ethics of competition, the competition policy that regulates organisations in the market, whether they are government or private organisations. The chapter further explains the types of competition and their characteristics, the application of business rules in competition and the various scholar reviews of competition. The chapter finally explains the nature of a competitive banking environment.

In *Chapter Five* the model of perceptions of the rules of business behaviour in a competitive business environment is discussed. To underpin this research, it was necessary to develop a coherent model by which the analysis and findings could be structured and compared. This chapter provides a detailed explanation of hypothesized relationships to be assessed empirically. As shown in Figure 5.1, the study generated five variables, comprising six hypotheses altogether. Various rules of business behaviour in a competitive banking environment are discussed in this chapter. The rules of business behaviour included in the theoretical model are: confrontational behaviour, cooperation behaviour and typology of competitors. The outcomes included in the theoretical model are organisational performance, customer retention and customer loyalty.

Chapter Six discusses the steps that are applied in the research methodology in this study. These include the literature review on the research paradigms and data collection techniques used in the study. The chapter provides a well detailed description of the sampling procedure, methods of sampling and a demographic profile of respondents. The chapter further provides a description of the measuring instruments and how they were operationalized and concluded with an explanation of the data analysis methods used in this study which were proven to be reliable and valid scales.

Chapter Seven explains the empirical findings of the study. This chapter reports the results of the statistical analyzes performed. In this chapter Cronbach's alpha reliability coefficients are calculated for all the instruments used to measure the variables in the empirical model of the study as well as presenting the descriptive statistics. Three sets of exploratory factor analyzes were carried out to assess the discriminant validity of the variables and the existing associations between the constructs were revealed and reported. The first set of the three factor analyzes involved employees' perceptions of confrontational behaviour and cooperation behaviour. The second set involved employees' perceptions of the typology of competitors within the competitive banking environment. The third set involved the outcomes of competition in the banking

environment which are: organisational performance, customer retention and customer loyalty. Cronbach's alpha reliability coefficients were calculated for all the revealed factors. A multiple regression analysis was used to investigate the effects of two or more independent variables on a single or interval-scaled independent variable. Linear regression analysis was performed to establish the relationships formulated in the relevant set of hypotheses in the proposed model of the study and the results were reported.

In this chapter the interpretation of the empirical findings, the managerial implications, and the limitations of this study are discussed. The empirical results show that the rules of business behaviour influence a competitive banking environment and also further reveal that a competitive banking environment influences the outcomes as organisational behaviour, customer retention and customer loyalty.

8.3 CONCLUSIONS ON THE PROBLEM STATEMENT AND THE RESEARCH QUESTIONS OF THE STUDY

This study provides a literature review which is related to the rules of business behaviour in a competitive banking environment. Apart from the theory on the rules of business behaviour, the study provides relationships that exist in regard to the rules of business behaviour and management perceptions regarding to the competitive banking environment.

The literature in this study provides a detailed discussion on the rules of business behaviour in the competitive banking environment. The discussion tried to clarify the various rules of business behaviour that are applicable in a competitive banking environment, and to identify which ones have been applicable in the Ugandan context. The discussion also paid particular attention to how different countries have been involved in a competitive banking environment. Furthermore, the study provides the theories of competition and the nature of the competitive banking environment.

The study attempted to investigate the following problems which were answered by both the literature review and empirical results:

- *The gap that exists in the Ugandan literature in respect to rules of business behaviour in the competitive banking environment.*
- *The impact of perceptions of a competitive banking environment of Uganda and its subsequent influence on the outcomes; organisational performance, customer loyalty and customer retention.*

8.3.1 The gap in Ugandan literature: Rules of business behaviour in a competitive banking environment

Generally, literature about behaviour in banks in Uganda is limited (Mugume, 2010:5). But like any venture, competition strategies by commercial banks also require certain sets of behaviours. These behaviours are critical to ensure success and could influence the decisions that are made in both operational and strategic contexts. In determining a set of behaviours, managers need to consider that different sectors have different behavioural requirements either according to the regulations of the state or the nature of markets that they serve.

Kock (2000:112) documents that rules of business behaviour whether written or unwritten, in the performance of special banks are the way that activity in the organisation is constrained. These rules can take the form of policy, procedures, standards, responsibility levels, authorization and mechanisms of delegation. They are rules which, cause behavioural barriers to change for the people of any organisation. These barriers are only removed when the ‘logic’ behind the rules is identified and removed.

Banks in Uganda have been subjected to diverse competition regulations by the central bank. It is argued that all organisations have business rules and engage in some form of relationship whether through competition or cooperation with other organisations (Bengtsson & Kock, 2000:112). Business rules shape the behaviour of both local and

international banks and guide the behaviour of the business stakeholders, such as, employees, managers, suppliers and customers. Therefore, business rules explain what is allowed and what is not allowed in conducting business.

Competition in the Ugandan banking industry has grown so much that even international banks like Barclays and Ecobank have been hawking their services. Banks do not shorten words been competing blindly as profitable growth and efficiency have displaced the traditional emphasis on volumetric targeting and “size for size’s sake” (Howcroft, 2005:24). Ugandan banks have had to develop strategies to respond to competition, to both safeguard their niches and to enlarge their market share.

Banks in Uganda have adopted several marketing strategies to respond to the competition in the banking industry. Banks have embarked on several tactics to build an effective marketing strategy to tackle its competition in the banking industry. These tactics include customer acquisition, distribution, pricing, advertising, branding, relationship management, innovation customer satisfaction, and social marketing strategies.

Commercial banks like Crane Bank and Stanbic Bank have aggressively applied competitive strategies to vigilantly and forcefully defend of their current market position while seeking to undercut their rivals’ position. To do so, they carefully and continuously monitor and analyze their rivals, are motivated to improve their performance by attacking those organisations, and are ingenious in their deployment of the resources of the organisation to launch attacks. The desired results of these competitive attacks is sustained performance that is superior to that of their rivals (Mpunga, 2001:23).

Banks in Uganda have applied both indirect and direct confrontational attacks. For instance, Equity Bank has responded to competition in the banking industry by creating a strategy to acquire more customers from the unbanked population and from rivals to increase its market share. This situation forced several international banks to restructure their local operations. Ecobank has opted to move out by selling its local

operation, while Standard Chartered and Barclays had massive layoffs and branch closures (Nannyonjo, 2002:3). Crane Bank has also exploited this scenario by moving in to possess the “abandoned customers” in the affected towns like Ibanda district and Kabale district. Crane Bank has also outsmarted competition by increasing its customers through focusing on the unbanked masses by opening branches in the unexploited or untapped areas. Crane Bank managed to enlarge its market without having to confront competition from the larger banks.

Banks like Equity Bank have also applied co-operational behaviour strategies which are friendly to the rivals in terms of creating a large customer base. For instance, Equity Bank has also strategically grown its customer base in Uganda by simplifying the process of opening and making itself the most convenient bank to bank with. While other banks demanded a minimum amount to open a bank account, Equity Bank allowed customers to open accounts with nil balances. While other banks were demanding “unreasonable documentation” from their customers under the pretext of KYC (know your customer) rules, Equity Bank used a more user-friendly approach. It appreciated that some of its customers were lay people who were currently living as tenants and had no utility bills and resorted to other references from farmers’ societies and employers (East African Economic Report, 2014).

Such sensitivity to customers has also generated goodwill for the bank through word of mouth advertising. However, in the post-Helios deal, the game plan seems to be changing. The bank now has a fully-fledged corporate banking department so it is very likely to adopt a very different strategy in its next development phase. This aggressive drive for customers has also increased the bank’s market share (East African Economic Report, 2014).

Some commercial banks, especially local ones, in Uganda use radically different rules of business behaviour compared to international ones to strengthen their customer base. While other banks require each branch to be a viable cost center (strategic business unit) in terms of lending and liabilities, Equity Bank seems to be looking at the

larger picture. So, it does not seem to mind collecting deposits in one area and deploying them elsewhere and not prejudice either branch when evaluating their viability. From this, it seems that banks like Crane Bank, Centenary Bank, Equity Bank are tackling the competition by playing the game with a different set of rules with its competitors. This approach would make it harder for competition to predict competitive behaviour (Matama, 2008:36).

Many changes are taking place in the service provision environment, which have a radical effect upon the market position of a business (Kiumbura, 2003:12). "*The prices of the competition may influence the price strategies of any bank. The clients will evaluate the price by comparing the products of many organizations. Any price strategies in banking marketing company must know the price and quality of the competition products and use the information in establishing their own prices when they are offered similar services, of close quality and value, the price must be comparable to the one practiced by the closest competition, otherwise the organization risks the loss of sales*" (Cetina & Mihail 2006:27).

From the literature above, it is indicated that some local banks performed better than foreign banks in providing services to small and medium-sized enterprises and low–income rural households. Foreign banks had a tendency of "cheery picking" the most lucrative bank transactions and provided bank services to a niche market consisting of big corporations and high income households located in urban area, thus affecting the performance of domestic commercial banks in Uganda (Bategeka & Okume, 2010:13). In addition, Bategeka and Okumu (2010:12) indicate that foreign banks never passed on management skills and knowledge to the local banking systems which performed relatively poorly compared to foreign commercial banks.

According to the information above, both international and local banks use different sets of rules to gain market share and create a large customer base, but the question is, which rule, among the rules of business behaviour, influences the competitive banking environment? It is worth noting that although some literature exists on the rules of

business behaviour it is scanty (Mugume 2001:1). However, the central bank must play a key role in defining the major rules of business behaviour that banks must adopt in the banking industry. This is because the Bank of Uganda is a major regulator of all financial services in the country. This still remains a challenge because the general business environment in Uganda is affected by the political will.

8.3.2 Gap in Ugandan literature: The competitive banking environment and its influence on outcomes

The competitive strategies of commercial banks deal exclusively with the specifics of management's game plan for competing successfully. In this study, the literature provides some of the competitive strategies that can be utilized in the Ugandan banks include the following: specific efforts to please customers; offensive and defensive moves to counter the maneuvers of rivals; responses to whatever market conditions prevail at the moment; initiatives to strengthen the banks' market position, and the approach to securing a competitive advantage vis-à-vis rivals. This notion is concurred by Bintiomari (2010:4). A bank achieves competitive advantage whenever it has some type of edge over rivals in attracting buyers and coping with competitive forces. There are many routes to competitive advantage, but they all involve giving buyers what they perceive as superior value compared to the offerings of rival sellers.

In Uganda today, competition in the banking industry has become so intense that banks are facing pressure of doing business. This is due to customers becoming more affluent, informed and as a consequence, more financially sophisticated (Mpuga, 2002:12). Also, the economic environment has changed significantly due to liberalization of businesses, efficient information flow and political stabilisation. Ugandan banks have had to develop strategies to respond to competition, to both safeguard their niches and to enlarge their market share. Many of these changes could have had vast implications for competition and concentration in the banking and financial sectors. The combination of improvements and unfulfilled potential warrants a new look at the Ugandan banking sector (Obwona & Mugume, 2001:6).

These competition forces have forced different banks in Uganda, both local and international, to engage in offensive and defensive marketing strategies. Rivalry occurs because more competitors either feel the pressure or see an opportunity to enter an industry or to improve its position within an industry. In most cases, competitive moves by one organisationhave noticeable effects on its competitors and, thus, may invite retaliation or efforts to counter the move (Mugume, 2001:7). Some banks in Uganda, for instance, Crane Bank Limited have responded to competitor challenges by counter attacking with increasing advertising expenditures, cutting prices, increasing innovation, and introducing new products, or even accommodating the entrant by doing nothing or decreasing the level of marketing effort (Financial times report, 2014).This intense competition has seen some banks such as Centenary Bank targeting remote areas which have not been captured by other banking rivals. There are diffusion effects which help to achieve a wide audience that results in low marketing cost because the consumers spread the advertising message of the product (Centenary Bank Financial Report, 2014).

Chege (2008:12) discussed competitive strategies adopted by Equity Bank Ltd; (Mwangi 2010:4) looked at the competitive strategies adopted by the Kenya Commercial Bank in response to challenges in the external environment. The result of the study indicated that investing in the latest cutting technology and innovative products was the most appropriate.

Awour (2011:4) also examined the competitive strategies employed by Kenya Commercial Bank Group Ltd. The study examined cost leadership, product differentiation and focus. The results of the study were that product differentiation and focus strategies were widely applied in the bank, with the cost leadership strategy not being emphasized. Given that the above studies were carried out on the adoption of competitive strategies by banks, the same strategies can be applicable in this study. Banks like Stanbic Bank in Uganda have been known for their defensive attack marketing strategies as a way of retaining customers or merely slowing down the rate of

their switching to a new rival. They can also be categorized as means of achieving those aims, that is, whether a strategy focuses on the incumbent's strengths or on the rival's perceived strengths (Kasekende, 2009:12).

Kimutai (2010:22) stresses that most of the defensive attacks launched by Stanbic Bank and Barclays involve first assessment of the weapons it has available to protect its market position. These include brand identity, or the customer's perceptions of the organisation; the mix of products and services supporting that identity, including their pricing and the means of communicating the bank's identity, such as advertising.

Roberts (2005:150) pointed out that the effectiveness of these weapons will depend on several factors, including a firm's status as an incumbent. For example, an organisation may decide that its brand identity needs to be modified if it is to retain customers or delay their defection. But this may prove difficult, while consumers' perceptions of a new entrant are likely to be malleable, their image of an incumbent is likely to be well formed. The defender may own the perception of "heritage" in the customer's mind but may also be stuck with that label despite massive advertising outlays aimed at changing it.

In other cases, a weapon such as advertising may be *more* effective in the hands of a defender because of the incumbent's size. For example, if the incumbent has ten times the revenue of the new entrant and each puts the same percentage of revenue into advertising, the defender will be able to outshout the newcomer by an order of magnitude, giving it an obvious advantage at least when communicating messages that are not intended to reposition entirely a well-established brand (Roberts, 2005:162). A high degree of competition and efficiency in the banking system can contribute to greater financial stability, product innovation, and access by households and organisations to financial services, which in turn can improve the prospects for economic growth. In this respect, there is a concern that monopolistic or oligopolistic, inefficient, and fragile banking in Uganda is a major hindrance to economic development. Therefore, it is important to identify the kind of reforms and environments

that may help to promote competition and efficiency in the Uganda's banking system (Kaffu, 2003:6).

Therefore, the research gap is based on the lack of literature which describes the nature of the competitive banking environment. There exist numerous studies based on different types of competition in commercial banks of emerging and developed countries in terms of the benefits accrued through these alliances, their management and their ability to overcome challenges. However, there is a shortage of studies which examine the nature of the typology of competitors in the banking environment in Uganda and what commercial banks should adopt to create a big market share and enjoy profitability.

8.3.3 Conclusions to the research questions of the study

Table 8.1 shows the research questions of the study and the conclusions which have been drawn in an effort to address the research questions.

Table 8.1: Conclusions regarding research questions

RQ1: ***Is confrontational interaction as a rule of business behaviour conducive for the competitive banking environment in Uganda?***	Banking institutions in Uganda use confrontational behaviour actions such as frontal attack, flanking, market encirclement, by passing and guerilla warfare to gain greater market positions. The banks use these marketing actions when they deal with challenges of competition within the banking industry. Currently in Uganda, confrontation seems to be a common rule valued and employed by many banks. Ackermann and Driscoll (2013: 17) noted that for an organisation to impart its intended meaning to stakeholders, it depends on the experiences that stakeholders have at all kinds of interactions with the organisation and its representatives. Therefore, quality guidelines shift to the end of the sentence that govern the organisation's personal and impersonal external contacts, inclusive of product quality standards as well as market communication standards.

	The quality of external contacts to a great extent depends on the ability of management to make their own staff adopt the intended identity of the organisation and become committed to its implementation. Coherent and strong leadership is necessary for this purpose. Managers need to be convincing role-models in playing the game according to the given rules of behaviour. They also have to train their people passionately about the central values of the organisation and how they are consistently turned into stakeholder experiences. They will have to continually reinforce adequate staff behaviour, and manage change in a conscious manner. The empirical findings of this study clearly indicated that confrontational behaviour should be viewd as a two dimensional concept namely, direct and indirect confrontational behaviour. The findings of the study further indicated that direct confrontational behaviour had a strong relationship with competitive banking environment, while indirect confrontational behaviour was not significantly related to the competitive banking environment in Uganda. This indicates that for banks to compete favourably, they have to be aggressive through introducing client based services which are superior to their competitors by offering products of good quality at reasonable costs, customizing their products and engaging in continuous research and development in order to create new products and services.
RQ2: ***Is cooperation as a rule of business behaviour conducive for the competitive banking environment in Uganda?***	Cooperation is needed to construct new levels of competition within organisations. All aspects of human activity are based on competition and cooperation. Cooperation simply means egocentric replicators sacrificing some of their reproductive potential to help each other. Due to the nature of the banking environment in Uganda, cooperation needs take place. A co-operator is someone who pays a cost for another individual to receive a benefit. Banks in Uganda use cooperation behaviour as a friendly strategy to adopt when other banks choose not to compete. Root (1994:119) states that cooperation can be in various forms, namely, business clusters, supply agreements, licensing agreements, joint ventures and strategic alliances even with competitors.

	The empirical results reveal that there is a positive correlation between co-operational behaviour and the competitive banking environment in Uganda. It was further revealed that banks in Uganda behave in a friendly manner by adopting various cooperation behaviour strategies. Muhlbacher *et al.* (2006: 337) reports that there is a range of approaches that can be used, namely joint ventures, changing the "rules of the game" and entering strategic partnerships. For example, an organisation creates a "new" product market by defining target customers and benefits they are provided to them in a highly sophisticated manner.
RQ3: ***Is there an appropriate competitor typology conducive to the competitive banking environment in Uganda?***	According to Kulasekaran (2002), no business can be everything to everyone, the biggest pitfalls many entrepreneurs stumble into is failing to differentiate their organisation from the crowd of competitors. In its most common context, regulation is an attempt to control or influence private behaviour in the desired direction by imposing costs on or proscribing undesirable behaviour. Since regulation can have important consequences for economic efficiency and private incentives, it is usually justified only under special conditions. Accordingly, there are three sets of justifications for regulatory interventions prevention of market failures namely: limitation/removal of anti-competitive practices, and promotion of public interest. To control anti-competitive practices, banks have resorted to anti-competitive practices such as interest rate fixing, market sharing or abuse of dominant or monopoly power (Kulasekaran, 2002: 558). The empirical result shows that typology of competitors has a positive correlation with the competitive banking environment in Uganda. The findings of the study revealed the following unique attributes of the competitors' typology that is conducive to the competitive banking environment in Uganda: defy attack, defense attack and debase attack. The research findings further reveal that banks in Uganda also employ competitive strategies such as: reacting only when there are price cuts by other competitors in the industry; ignoring competitors' efforts of training their staff by offering its own staff loyalty incentives; focusing rather

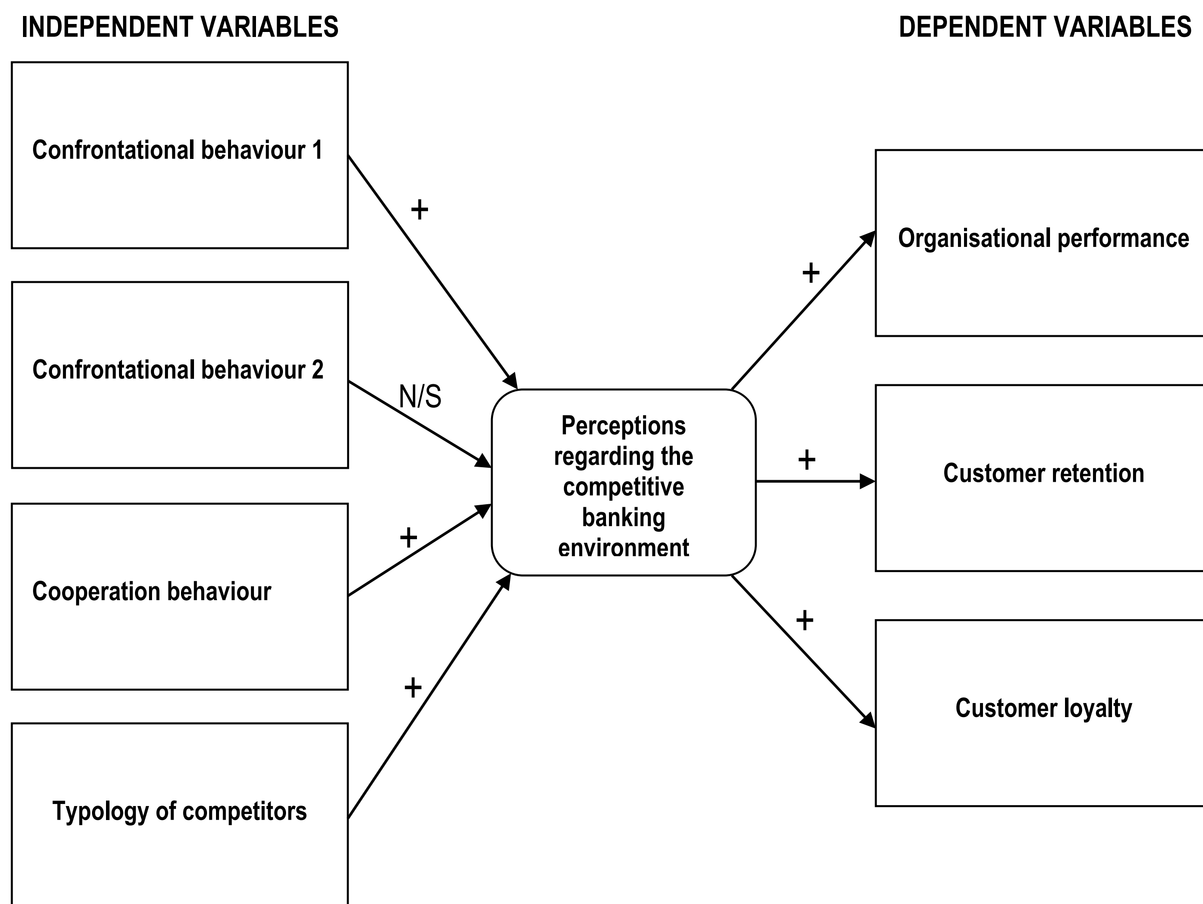
	on social responsibility initiatives when faced with sales boosting efforts of competitors; not letting competitors bring new products easily into the market; reacting swiftly to any attack by competitors; always acting in a manner that creates uncertainty among competitors.
RQ4: ***Does the competitive banking environment improve organisational performance of Ugandan banks?***	According to Maa (2000:12), competitive advantage and the organisational consequences are directly related. Overall, studies have shown a substantial relationship between competitive edge and organisational performance. The performance theories suggest that performance can easily be improved through the intensification of healthy competition. Communicating the quality of new products means stiffer competition and better organisational performance. This actually increases its value and lead to increased profits. This is a competitive strategy that banks use to attack the rival's position in Uganda. Being competitively aggressive is about banks vigilantly and forcefully defying their current market position while seeking undercutting their rivals' position. In Uganda, furthermore, competition within the banking environment has greatly led to improvements in organisational performance. Derfus *et al.* (2008:72) suggest that organisations need to monitor and analyse their rivals carefully and continuously as well as be motivated to improve their performance by attacking those organisations. They should also be ingenious in their deployment of the firm's resources to launch attacks. The empirical result shows that there is a positive relationship between the competitive banking environment and organisational performance. The results further reveal that employees believe that a competitive environment in the banking sector encourages banks to improve their services and gradually their profitability.
RQ5: *Does the competitive banking environment improve customer retention within Ugandan banks?*	Customer retention is an essential aim of banking strategies in an increasingly competitive environment. Uganda's banking industry is still undergoing unprecedented changes, most of which are the result of the deregulation of financial services, the strengthening of regulatory and supervision frameworks, as well as the developments in information technology. Several changes have taken place within the banking industry and have had vast implications for competition and

	concentration in the banking and financial sectors. There is similarly proof that the customers' age group and level of education hugely contribute to customers' inclination to stay with their current banks. Due to highly competitive markets the most important distinction is through the development of brands and active promotion to both intermediaries and final consumers (Parasuraman, 1997: 37). Ugandan banks have done a lot in a short space of time to compete vigorously for customers. Branding, targeting and positioning all play a role in retaining customers. The empirical results indicate that the competitive banking environment have a positive correlation with customer retention. This implies that employees believe that when a variety of products and user-friendly banking facilities are offered, clients will remain committed to the bank.
RQ6: *Does the competitive banking environment improve customer loyalty within Ugandan banks?*	Customer loyalty is regarded as a consumer's sustained commitment to a firm, as demonstrated by repeat purchases, an increased amount of money spent with the organisationand positive word-of-mouth referrals. The benefits of improving customer advocacy can be extensive. Loyal customers purchase more banking products, stay longer, are easy to work with and enlist others to join. The manner in which banks do business in the Ugandan banking sector has significantly changed. Trends such as Internet banking and mobile banking have grown and a lot of niche banks working mainly through on-line banking has emerged. How to keep the customers loyal online, in a very competitive environment, has become the main question for many banks. Banks that do not offer such services are struggling to keep the loyalty of customers. The empirical results indicate that competitive banking environment have a positive correlation with customer loyalty. This implies that customer loyalty is enhanced when the competitive banking environment initiate customer loyalty services and programmes.

8.4 SUMMARY OF EMPIRICAL RESULTS

In this study, the variables indicated in Figure 8.1 summarized the empirical results reported in Chapter 7. The variables that exerted a significant influence on perceptions of the rules of business behaviour in a competitive banking environment were shown in both models (refer to Figure 7.3 and Figure 7.4). In both models, perceptions of the rules of business behaviour strongly influence the competitive banking environment.

Figure 8:1 Empirical evaluation of the proposed influences and outcomes of employee perceptions of the rules of business behaviour in the competitive banking environment in Uganda



8.5 EMPIRICAL FINDINGS AND MANAGERIAL IMPLICATIONS OF THE STUDY

The model in Figure 8.1 depicts four major influences on employees' perceptions of rules of business behaviour. These influences are: Direct confrontational behaviour, Indirect confrontational behaviour, cooperation behaviour and typology of competitors in a competitive banking environment with the possible outcomes; organisational performance, customer loyalty and customer retention.

8.5.1 Empirical findings and implications based on the employees perceptions of the rules of business behaviour in the competitive banking environment

8.5.1.1 Direct confrontational behaviour

Confrontational behaviour is defined as marketing actions which organisations use when dealing with challenges of competition (Muhlbacher *et al.* 2006:366).These actions include limited-, price-based- and value-based frontal attack; flanking; market encirclement; bypassing and guerilla warfare. Organisations use these marketing actions when they deal with challenges of competition in an industry. In this study, it was hypothesized that confrontational behaviour exerts significant influence on the competitive banking environment in Uganda. The empirical results in chapter seven reported that there are two types of confrontational behaviour, namely direct and indirect. The findings of the study further indicated that direct confrontational behaviour had a strong relationship with competition in the banking environment, while indirect confrontational behaviour was not significantly related to the competitive banking environment in Uganda.

The empirical results further showed that there is a significant correlation between direct confrontational behaviour and competition in the banking environment. This indicates that for banks to compete favourably, they have to be aggressive through introducing client based services which are superior to their competitors by offering products of good quality at reasonable costs, customizing their products and engaging in

continuous research and development in order to create new products and services. The empirical results indicate that management perceives confrontational behaviour strategies a way of getting a fair share of the market in the banking industry in Uganda. This is also due to the fact that Uganda has a low banking population.

Examples of direct confrontational business behaviour strategies that banks employ in Uganda include among others: focusing on offering products of good quality at reasonable cost; focusing on offering products of high value at affordable prices; efficient handling of customer complaints; empowering of frontline employees by strengthening their competence; customizing products for different customer groups, using technology to create a suitable foundation for developing new products; engaging in continuous research and development to create new products and engaging in social responsibility initiatives (e.g. sponsorships to the community).

8.5.1.2 Indirect confrontational behaviour

Confrontational behaviour used by banks when dealing with challenges of competition are revealed by the empirical results as also being indirect. Organisations use these marketing actions when dealing with challenges of competition in an industry (Muhlbacher *et al*., 2006:366). The empirical results show that there is no significant relationship between indirect confrontational behaviour and competitive banking environment. This suggests that the correlation needs to be strengthened which implies that for organisations/banks to survive in the competitive environment, they must be more aggressive as depicted by direct confrontation than being indirect. The implication is that banks which are less aggressive in the market can still thrive in the competitive environment.

Examples of indirect confrontational business behaviour strategies that banks employ in Uganda include among others: focusing on offering products with similar features to those offered by competitors at lower prices or at different price ranges; attacking competitors in areas which they are least capable of defending (e.g. mobile ATM's in

remote areas); focusing on customer needs in product markets which are not served by its competitors (for example, share ownership schemes); offering loyalty reward programmes to clients which rivals do not offer; using unconventional marketing strategies by surprisingly striking clients at a more personal level and engaging in marketing strategies which involve unexpected approaches to gain maximum exposure.

8.5.1.3 Co-operational behaviour

For this study, cooperation behaviour is a friendly strategy which organisations adopt when they choose not to compete. An organisation can add-on its strengths or weakness with those of partners through cooperation (Root, 1994:119). Cooperation can be in various forms, namely, business clusters, supply agreements, licensing agreements, joint ventures and strategic alliances even with competitors.

The study perceives that the organisations can allocate limited resources to build their distinctive competences for implementing their strategies and they develop closer relationships to share resources with collaborators in leveraging and bundling the resources to formulate the appropriate strategies. This implies that the capability sharing decision of organisations can assist to develop necessary capabilities which are not owned by them in order to successfully formulate and implement the appropriate strategies (Barratt, 2004:109).

The empirical results reveal that there is a positive correlation between co-operational behaviour and the competitive banking environment. This implies that for banks to compete favourably, they have to share effective promotional tools, share technology and perceive each other as partners in business. This will enable them reduce the costs of competition because of economies of scale and thus produce more output since they are competing for the same clientele.

Examples of indirect confrontational business behaviour strategies that banks employ in Uganda include among others: collaborating with strong domestic business partners to attract foreign investment; focusing on offering one-stop shop convenience by involving other business partners; contributing to job creation by joining forces with other business partners; securing access to advanced technology equipment by partnering with other organisations; generating substantial cost savings by joining forces with other organisations; forming alliances to become more innovative in introducing new banking products and forming alliances to exploit economies of scale (reduced cost opportunities by producing more output with less input).

8.5.1.4 Typology of competitors

This is a competitive strategy that organisations use to attack the rival's position. Being competitively aggressive is about the organisations' vigilant and forceful defiance of their current market position while seeking to undercut their rivals' position. Derfus, Maggitti, Grimm and Smith (2008:72) suggest that companies need to carefully and continuously monitor and analyze their rivals, are motivated to improve their performance by attacking those organisations and are ingenious in their deployment of the resources of the organisation to launch attacks. The desired end result of the competitive attacks is sustained performance that is superior to that of their rivals. Therefore, developing that strategy requires understanding the mechanisms linking the strategy with superior performance, the enabling actions, and the desired strategic outcomes with their associated costs. There are three competitive aggressive attack strategies that an organisationuses and these include; defy attack, defense attack, and debase attack.

In this study, it was hypothesized that typology of competitors exerts significant influence on the competitive banking environment. The empirical result shows that typology of competitors has a positive correlation with perception of competition in the banking environment.

Examples of typologies of competition strategies (defy attack, defense attack and debase attack) that banks employ in Uganda include among others: reacting only when there are price cuts by other competitors in the industry; ignoring competitors' efforts of training their staff by offering its own staff loyalty incentives; focusing rather on social responsibility initiatives when faced with sales boosting efforts of competitors; not letting competitors bring new products easily into the market; reacting swiftly to any attack by competitors; always acting in a manner that creates uncertainty among competitors.

8.5.2 The empirical findings and implications based on the outcomes of perceptions regarding competitive banking environment

8.5.2.1 Organisational performance

Aluko (2003: 172) defines performance as the accomplishment of work, tasks or goals according to a certain level of desired satisfaction. According to McNamara (2010), organisational performance refers to the effectiveness of the organisation in fulfilling its purpose and is a key indicator for evaluating the operational efficiency of a business. Organisational performance has been defined by many studies in terms of success, maximum utility, improvement, accountability, among others (Schiehlle & Morissette, 2000:9). Many have struggled to get the most appropriate way of identifying the right definition of organisational performance and this has even made it hard to come up with appropriate indicators of the same. Therefore, organisational performance refers to the outcome of an organisation which manifests through financial performance, share holders' returns and product market performance. It is described also as the compatibility between the organisational structure and how the organisation conducts its business practices as well as the competitive strategies. This section discusses the outcome of competitive banking environment in terms of the organisation's performance as measured by market growth, profitability, sustainability and competitive advantage.

The empirical results reported in chapter seven finds support for this assertion. In this study, it was hypothesized that there is a relationship between perceptions of the competitive banking environment and organisational performance. The empirical result shows that there is a positive relationship between the competitive banking environment and organisational performance. The results further reveal that employees believe that a competitive environment in the banking sector encourages banks to improve their services and gradually their profitability.

Examples of strategies that banks employ in Uganda to improve organisational performance include among others: improving sustainable profitability; ensuring that resources are optimally utilized; obtaining increased recognition among international business partners; focusing on employee empowerment (training) to improve organisational efficiency and capturing a favourable public image within society.

8.5.2.2 Customer loyalty

Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services. Customers appear to be loyal because they continue to buy from a single seller but their apparent loyalty is due to a lack of good substitutes and they are actually unhappy with the product (Hidalgo, Manzur, Olavarrieta, & Farã-As, 2008:691-696).

As is the case for business reputation, there is no precise, generally accepted definition for the term "customer loyalty". Different scholars have different views of the concept. Despite the lack of a generally agreed definition, consensus points to customer loyalty as being characterized by the customer's preference to purchase a product or service from a business consistently when the need arises to purchase. The key issues of this characterization are preference and consistency (McMullan & Gilmore, 2008:2). Customer loyalty can be defined as "the willingness to make sacrifices and investments to strengthen relationships" (Ratiu & Negricea, 2007:1). The higher the loyalty a

business inspires among its stakeholders, the greater its profit potential. When stakeholders thrive, a business strives.

According to Otim and Grover (2006:4), the concept of customer loyalty incorporates behavioural and attitudinal measures. As such, customer loyalty is viewed as building and sustaining a trusted relationship with customers that leads to the customers' repeated purchase of products or services over time (Lam, Shankar, Erramilli & Murthy, 2004:3). Customer loyalty is thus seen as a sustained commitment to an organisationas demonstrated by repeat purchases, an increased amount of money spent with the organisationand positive word-of-mouth referrals. This definition of customer loyalty indicates that different feelings create a consumer's overall attachment to a product and/or service or a specific firm. These feelings define the consumer's purely cognitive degree of loyalty. Other authors in marketing literature define customer loyalty according to the behaviour of consumers. Because of the involvement of the feelings and attitudes of consumers when considering their loyalty, customer loyalty is difficult to measure.

Gaining and keeping loyal customers is increasingly recognized as the key to business growth. The growth comes from loyal customers' increased purchase over time, their willingness to pay premiums, for example, when selling green products and services. With the continued growth of new competitors and the increasingly knowledgeable and demanding consumers, creating and retaining customers represents an absolute imperative for business (Ratiu & Negricea, 2007:1). Generally, loyal customers are willing to pay a higher price and are more understanding when something goes wrong. In the same manner, Gefen (2002:27) notes that loyal customers are easier to satisfy because the vendor understands the customers' expectations better. Loyal customers are also less price- sensitive and providers incur lower costs since the expense of pursuing new customers is reduced (Rowley & Dawes, 2000:139). Hence, the presence of loyal customers provides the business with the valuable time to respond to competitors' actions.

In this study it was hypothesized that there is a relationship between competitive banking environment and customer loyalty. The empirical results indicate that competitive banking environment have a positive correlation with customer loyalty. This implies that customer loyalty is enhanced when the competitive banking environment initiate customer loyalty services and programmes such as: offering customized products and a variety of banking products, providing convenience (24 hour services) and participating in community programmes of upliftment for example, donations and poverty alleviation.

8.5.2.3 Customer retention

Many studies (Jones, Mothersbaugh & Beatty, 2000; Colgate, Stewart & Kinsella, 1996) have shown that a firm's most important asset is its existing client base. Therefore, it is important for organisations to keep their existing clients and to make sure these clients do not defect to competitors.

Customer retention is the activity that a selling organisation undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organisation has with a customer and continues throughout the entire life time of a relationship. A company's ability to attract and retain new customers, is not only related to its product or services, but also strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace (Mittal, Vikas & Carly, 2012:261).

Buttle (2004:298) defines customer retention as the number of clients doing business with an organisationat the end of a financial year expressed as a percentage of those who were active clients at the beginning of the year. According to Ferrell, Hartline and Lucas (2002:105), a firm's customer retention rate shows the percentage of clients who are repeat purchasers. Ferrell *et al.* (2002:105) emphasize that this number should remain consistent or grow slowly. Following the above discussion, it is evident that customer retention prevents clients from defecting as well as a means of increasing

income by retaining or maintaining existing clients. If a bank has successful relationships with its clients, the clients might not want to switch to another bank, and therefore the customer retention of the bank will be higher.

In this study it was hypothesized that there is a relationship between perceptions of the competitive banking environment and customer retention. The empirical results indicate that the competitive banking environment have a positive correlation with customer retention. This implies that employees believe that when a variety of products and user-friendly banking facilities are offered, clients will remain committed to the bank.

Examples of strategies that banks employ in Uganda to enhance customer loyalty include among others: conducting business in a socially responsible manner (for example, sponsoring events), ensuring that clients remain because it provides convenience through online service facilities, using talented employees to respond to the customers' needs and offering a variety of product lines for example, savings, credit, investment, insurance, property development and loans.

8.6 RECOMMENDATIONS OF RULES OF BUSINESS BEHAVIOUR IN A COMPETITIVE BANKING ENVIRONMENT

On the basis of the findings in Chapter seven, this section outlines some recommendations of the study.

8.6.1 Direct confrontational behaviour

In this study, it can be concluded that there is a significant relationship between direct confrontational behaviour and perceptions of the competitive banking environment in Uganda. Therefore there's a need for management not to overlook confrontational behaviour strategies of banks because banks cannot only win what they can take away from competitors. Therefore quality guidelines that govern the banks' products, quality standards, as well as market standards need to be formulated. The quality of external

contacts will depend on management's ability to convince the role models in the given rules of behaviour. Therefore the organisations' rules of business behaviour must contain statements that specify when and how to seek confrontation with outsiders like competitors. Banks may respond to competitor challenges by counter attacking through increased advertising and cutting off prices.

Presently, in Uganda the strong competition amongst the different banks has become apparent through the products they offer to customers.

On the basis of these arguments, the following recommendations are made for banks in a competitive environment:

- Focus on offering products of good quality at reasonable cost.
- Focus on offering products of high value at affordable prices.
- Banks should have an efficient department of enquiries which handles the clients' complaints with care so that they have a satisfactory experience.
- Empower frontline employees so that they become more competent than the competitors' staff.
- Ensure that the importance of clientele is reflected in the philosophy of the business.
- Make an effort to customize products for different customer groups.
- Use technology to create a suitable foundation for developing new products.
- Provide online banking facilities to reduce long waiting queues in the bank.
- Concentrate on the needs of specific customer groups (for example, SMMEs, co-operatives).
- Apply product-line stretching by offering a savings facility to various customer groups (for example, pensioners, students and government social grants).
- Engage in continuous research and development in order to create new products.
- Engage in social responsibility initiatives (for example, sponsorships to the community).
- Conduct business practices in an environmentally-friendly manner (for example, online services and open-plan offices).

8.6.2 Indirect confrontational behaviour

Indirect confrontational behaviour, as a competitive strategy, is a situation in which organisations are less aggressive in challenging the rivals' positions which they see as a step in enhancing their own performance. In this study, it can be concluded that organisations can also attack the positions of rival organisations indirectly either by avoiding competition or undertaking new product lines or services not offered by existing banks. This strategy is asserted by Porter's (1985) findings which stated that direct attacks invite retaliatory responses, unlike indirect attacks which are less likely to lead to competitive responses. Therefore, it is important to note that new banks in the market can still thrive amidst the competitive banking environment. From the foregoing discussion, it is clear that not all organisations use aggressive strategies. Other organisations use less aggressive strategies. To avoid direct confrontation, organisations could choose to cooperate instead of competing they could choose to work as partners. The banks enter in to a relationship with other banks, as indicated in the section below.

On the basis of these arguments, the following is recommended for banks in a competitive environment:

- Focus on offering products with features that are similar to those offered by competitors at lower prices.
- Focus on offering products that are similar to the competitors' at different price ranges.
- Attack competitors in areas which they are least capable of defending (for example, mobile ATM's in remote areas).
- Focus on customer needs in product markets that are not served by competitors (for example, share ownership schemes).
- Enter country markets with local products which are not served by competitors (for example, rendering services in other developing countries).
- Offers client loyalty reward programmes which rivals do not offer.

- Use unconventional marketing strategies by surprisingly striking clients at a more personal level.
- Make small periodic attacks against larger competitors hoping to establish a permanent foothold in the market.
- Engage in marketing strategies which involve unexpected approaches to gain maximum exposure.

8.6.3 Cooperational behaviour

Competition is only useful up to a certain point and cooperation begins where competition ends (Valdani & Arbore 2013:6). This is because through cooperation, better outcomes can be achieved. The most important factor that motivates and facilitates cooperation is having mutual interests. Both cooperation and competition could be good for the business, but the question remains, when is it preferable to cooperate? For this study it should be noted that for banks to compete favourably in a competitive environment, they need to cooperate with other competitors in the market. Their level of cooperation will involve cost-cutting as an outcome from the use of shared resources like technology for ATMs, information on creditors and other promotional tools. Environmental uncertainty impacts the efficiency and effectiveness of business strategies. Therefore, top management must develop the necessary capabilities to obtain the competitive advantage according to the degree of cooperation between banks.

On the basis of these arguments, the following is recommended for banks in a competitive environment:

- Collaborate with strong domestic business partners to attract foreign investment.
- Gain recognition/status within diverse markets by engaging with other business partners.
- Focus on offering one-stop shop convenience by involving other business partners.

- Contribute to job creation by joining forces with other business partners.
- Secure access to various sources of capital by joining forces with other organisations.
- Have access to other user-friendly banking techniques by partnering with other organisations.
- Secure access to advanced technological equipment by partnering with other organisations.
- Accelerate market entry by joining forces with other organisations.
- Generate substantial cost savings by joining forces with other organisations.
- Form alliances to become more innovative in introducing new banking products.
- Have access to more resources for adequate research and development in banking by forming alliances.
- Form alliances to compete effectively with larger banks through sharing of effective promotional tools.
- Form alliances to exploit economies of scale (reduced cost opportunities by producing more output with less input).

8.6.4 Typology of competitors

In this study, the typology of competitors involves defensive and offensive strategies used by competitors in the market. The defensive strategies involve organisations which fend off challenges from competitors. The primary purpose of defensive strategies is to make a possible attack by organisations unattractive and to discourage potential challengers from attacking another firm. There are two types of defensive market strategies. Pre-entry strategies involve organisations taking actions to announce their intentions or building barriers for entry of competitors or introducing multiple versions of products and improving their products in costs, quality and new product development. Post entry strategies are actions taken by organisations to protect their market positions from competitors. However, offensive market strategies include direct and indirect attacks or moving into new markets. Direct attacks may be called for if an organisation possesses superior resources. However, indirect attacks are more appropriate and less

likely to elicit competitive response because they are difficult to detect, especially, if they are targetting towards non-core segments or products. These findings are supported by Yannonpoulos (2011:6-7) and Cuellar-Healey and Gomez (2013:5). An indirect attack is done to avoid competitors and to undertake activities that are far removed from those of the rival's. Information on the behaviours or actions of a competitor is thus very important in determining the bank's position in the competitive environment.

Three typologies were tested in this study, namely, defy attack, defense and debase attack. On the basis of these arguments, the following is recommended for banks in a competitive environment:

(a) Recommendations which are on a defy attack competitor typology

- React only when there are price cuts by other competitors in the industry.
- Ignore competitors' efforts of training their staff by offering your own staff loyalty incentives.
- Focus rather on social responsibility initiatives when faced with sales boosting efforts of competitors.
- Do not let competitors bring new products easily into the market.

(b) Recommendations which are on a defense competitor typology

- React only to promotional messages of competitors.
- React swiftly to any attack by competitors.
- Invade the attacker's competitive position by prematurely announcing a new product launch.

(c) Recommendations which are on a debase attack competitor typology

- Do not react strongly to a rival's move because your organisation may lack the funds to react.

- Do not react strongly to a rival’s move because your organisation feels that its clients are loyal.
- Do not exhibit a predictable reaction pattern when faced by competitors’ actions.
- Always act in a manner that creates uncertainty among competitors.
- Participate where competitors have much effect on the going-rate of bank charges.
- Engage in the type of market that consists of few competitors who are highly sensitive to each other‘s pricing/marketing strategies.
- Engage in the type of market that consists of only one competitor.

8.6.5 Perceptions of competitive banking environment

On the basis of the statements in the measuring instrument which were ulilized as the intervening variable, the following is recommended for banks in a competitive environment:

- Build safety measures around your competitive position in the industry (for example, being industry cost leader).
- Create bases to protect a weak front (for example, substituting long waiting queues with ATM facilities nearby).
- Enter markets in which competitors try to develop differentiated offers for different customer segments.
- Attempt to be a cost-leader by charging customers fair prices as compared to major rivals.
- Provide products through advanced technology that is useful to clients (for example, SMS alerts, ATMs and internet banking).
- Personalize (customize) banking products according to the individual needs of clients.
- Have employees that possess valuable core competencies/skills required in the banking industry.

- Focus on welfare initiatives that improve banking efficiency (for example, creating poverty alleviation and environmentally awareness programmes).
- Effectively communicate with clients through supported services (for example, phones, internet) to keep them up to date.

8.6.6 Organisational performance

On the basis of the statements in the measuring instrument which were utilized as an outcome variable, the following is recommended for banks in a competitive environment:

- Strive to improve sustainable profitability.
- Ensure that resources are optimally utilized.
- Obtain increased recognition among international business partners.
- Focus on employee empowerment (training) to improve organisational efficiency.
- Capture a favourable public image within society.

8.6.7 Customer retention

On the basis of the statements in the measuring instrument which were utilized as an outcome variable, the following is recommended for banks in a competitive environment:

- Conduct business in a socially responsible manner (for example, sponsoring events).
- Ensure that clients remain by providing convenience through online service facilities.
- Ensure that clients remain by using talented employees to respond to customer needs.
- Ensure that clients remain by offering a variety of product lines (for example, savings, credit, investment, insurance, property development, and loans).
- Ensure that clients remain by providing user-friendly technology to access banking facilities.

8.6.8 Customer loyalty

On the basis of the statements in the measuring instrument which were utilized as an outcome variable, the following is recommended for banks in a competitive environment:

- Ensure that clients are committed by offering customized products.
- Ensure that clients are committed by providing convenience (24 hour services).
- Ensure that clients are committed by offering a variety of banking products.
- Ensure that clients are committed by participating in community upliftment programmes (for example, donations, and poverty alleviation).
- Ensure that clients are committed by exceeding client expectations regarding service delivery.

8.6.9 General recommendations regarding the competitive banking industry

On the basis of the findings in this study, it is recommended that management of banks leverage on age as a segmentation strategy and use technology to make the bank's products more attractive, especially to teenagers and students. This notion is supported by Raman and Desmarès (2010:4), stating that this Generation Y group could benefit from mobile phone banking in areas such as payment of school fees, balance confirmation, money transfer and savings.

Raman and Desmarès (2010:6) further postulate that the most notable occurrence over the past few years has been the growth in mobile and Wireless baking. Since banks in developing countries offer customer services such as funds transfer while travelling, receiving online updates of stock prices or even the option to trade in stocks, they can also develop mobile payment methods like m Wallet. Banks could also advertise new

products and educate younger customers through their mobile handsets in social sites such as Twitter and Facebook. Whereas mobile banking has gained wider adoption, mobiles have moved beyond reporting balances and fund transfer and have become contact-less payment instruments for executing small transactions and communicating with their clients via social media platforms such as Facebook, twitter, WhatsApp and Instagram. The bank’s service infrastructure needs to be continuously upgraded and banks need to understand generational differences when designing new products for Generation Y. This calls for modern banking infrastructure such as stable internet connectivity and computer savers, Automated teller machines as well as pay-way machines. This will ensure that system uptimes are maintained and downtimes minimized.

Banks should further ensure that employees communicate effectively to banking clients and that front-line staff are knowledgeable about the bank's products, services, processes and procedures. The management of banks should also develop technologically-driven products since most of their customers are information and computer literate. Introduction of such products will enable customers to access banking services from the comfort from their homes, offices or from their mobile hand-sets. However, bank management must also cater for the needs of illiterate customers. Communication to such customers can be done through radio stations that broadcast in local dialects. When these customers approach the bank for services it could endeavour to have staff speak the customer’s native language and attend to them to ensure their needs are well articulated (Jing, 2006: 25).

This study further identified that some respondents cited the banks’ location in certain restricted areas as one of the causes for switching to another bank. Currently, most banks in Uganda are concentrated in major urban centres with limited presence in rural areas. This is due to the fact that the distribution of banks is still low in Uganda. Banks need to keep this in mind when looking at ways to tap into the unbanked population. For banks to effectively position themselves and their services, they should look at the needs of the unbanked areas and what they require. Geographical representation in

remote parts of the country could also lead to economic growth in those areas as banks could issue loans that will help in development. Banks could open more branches, extend their ATM networks or use third party agents to assist them in this regard.

Customer satisfaction should be kept in mind when banks upgrade existing systems or buying new systems to avoid down times. Service failure can be a major cause for customer dissatisfaction, customer defections and negative word-of-mouth. Banks should make deliberate efforts to learn from unhappy customers for continuous improvement of banking services through effective customer complaint departments.

Further, banks should re-engineer and modify their systems in order to enhance their efficiency in service and in sophisticated software that has analytical tools to help integrate customer information and building stronger capabilities in service delivery. Information to be communicated can be presented by using various methods, such as, account statements, e-mails, telephone calls, web pages, press releases and advertisements. It is thus important for banks to have the correct type of audience and communication methods to ensure effective communication.

By using customer relations management (CRM) technology, banks should continuously look at the customer portfolios and categorize them to determine their special needs. Achieving a single view of the customer is integral to improved customer insight, better targeting and increased customer satisfaction (Sopra Steria, 2015).

The current practice in which many banks offer generic products will have to change. Banks must formulate deliberate policies that incorporate the value of research in their product development cycle, stating that any new product must be preceded by customer research. This will enhance the ownership of the product by the customer. Brand (2008:5) concurs that after the preferred product mix has been well-defined the bank must undertake a path of segmenting the market and forecasting demand through diverse methods of market research. Sources of information and approaches for gathering data can be pulled from both inside the organisation and external sources.

Banks must also strengthen their brand image in order for customers to feel proud to be associated with them. Popular strategies that banks could employ include bonus programmes and premium-based pricing to reward their customers such as lowering interest rates on subsequent loans and increasing credit card limits to reward patronage. These methods have the potential to enhance customer retention in the banks.

Banks need to train staff which plays a pivotal role in linking the customer to the bank. Bancology (2009:1) states that a cross-trained worker can act as the liaison officer between the customer and the bank. Furthermore, customer queries should be resolved at the first instance to avoid customer dissatisfaction and banks should be more receptive to customer needs. Staff who interact with customers are a crucial contact between the bank and the customer and their orientation towards the customer plays an important role in determining whether the customers will stay with the bank or not. It is imperative that banks adopt good after-sales support for their customers by training their staff to have a lasting relationship with customers. Improving bank customer loyalty is frequently linked to positive outcomes for an organisation (Schramm, 2013:4). Banks need to train their employees to focus on their customers' financial relationships as well as making sure they quickly adopt the fundamentals of working with new and improved applications.

Banks should also ensure they are up to date with the latest technological developments that are relevant to offering banking products and services (Sambamurthy & Parekh, 2014). IT has made an evident transformation in the functioning of banks and conduct of banking operations. Although banks should ensure that their technology is advanced, it is also important to ensure that the technological systems and methods which are used by clients are user-friendly. If clients perceive a bank's technology as being too difficult to use, they might prefer not to use it and revert back to the traditional branch banking, which will lead to higher costs for both the bank and clients. Clients might also even switch to a competitor bank with user-friendly

technology. Technology could ensure cost-savings to banks and therefore banks must encourage clients to make use of non-traditional banking methods by offering lower fees (for example, telephone-, cell phone-, Internet- and ATM banking).

Bank employees should be motivated to acknowledge clients by knowing them personally, interacting with clients and generally making clients feel welcome. Service representatives play a critical role in customer service communication. They are considered as the link connecting the bank to its customers (Hoang, 2011:3).

Furthermore, a pleasant atmosphere should be created in bank branches to ensure that clients feel relaxed and important. A bank-client bond can be formed through proper and regular communication and personalized bank offerings that make clients feel valued. Empowered bank employees that make informed decisions will instill confidence in clients. Mutual benefits will occur to both parties, for example, lower fee structures will benefit clients and at the same time ensure positive word-of-mouth advertising and a new marketing opportunity for banks. A bank will have a positive reputation among clients if proper image-building activities are focused on by the bank's public relations or business communication departments.

Regular press releases, keeping clients and prospective clients informed of and interested in the bank could enhance the bank's image.

Banks should concentrate on implementing strategies that relate to their fee structures. In order to maintain client relationships a bank may provide special benefits to loyal clients (for example, lower bank fees). Banks may also charge different fees to different client groups (for example, pensioners might receive reduced account charges). Banks should be able to justify their fee structures and that fees should be reasonable.

Banks should continuously inform clients of new products or changes to banking products, processes and procedures. Clients should be informed about changes in the banking industry that might affect their banking options and finances (Hoang, 2011:7).

Banks have a duty to meet the modern customer's expectations and deliver services that are convenient, integrated and accessible. To do that profitably and consistently, banks need to be more connected to customers.

Furthermore, banks should educate their employees about the complex, ever-changing banking industry and inform them of all banking policies and procedures. They should continuously motivate their employees to empower them and improve their knowledge about the banking industry and client needs. Bank employees should be immediately be informed when banking policies, procedures, rules and/or regulations change. This will ensure that employees are empowered to make informed decisions concerning banking clients' financial needs.

8.7 CONTRIBUTIONS OF THE STUDY

- This study has contributed to the body of knowledge regarding the rules of business behaviour that are applied within the competitive banking environment of a developing country such as Uganda.
- The study could assist banks, employees and customers alike to understand the different rules of business behaviour that exist in banks and what strategies banks can employ to improve their position in the market.
- The results of this study could also be replicated by other banks in other developing countries so as to ensure successful competition and cooperation of banks as they engage in their activities in the banking industry.
- This study has provided useful and practical guidelines to bank management and employees on how to ensure a favourable competitive banking environment.
- The developed hypothetical model can be utilized in other developing countries to test perceptions of the rules of business behaviour in the competitive banking industry and in any other industry. This model will act as a foundation for other studies which investigate factors that influence perceptions of the rules of business behaviour and the outcomes thereof.
- The findings of this study could assist the Central Bank and other baking regulators

by providing guidelines which can be adopted in implementing the rules of business behaviour in the competitive banking industry.

- The findings of this study can inform strategy policy formulation and implementation in the banking industry.
- The study used a sound and well developed research design and methodology which have been critically justified and applied. This can also be used by other similar studies to conduct empirical research in this field.
- This study has developed a single framework that integrates factors from several theoretical perspectives in an effort to understand the relative importance of rules of business behaviour within a competitive environment. These theoretical perspectives brought together and tested for statistical significance are a model contribution of this study.
- This study offers great opportunities for increasing the performance of banking institutions in Uganda, with a view to enhancing their competitiveness locally and globally. This study can therefore assist in the development and growth of the banking industry and significantly contribute to socio-economic development in Uganda.
- The study makes a contribution by highlighting the crucial role of rules of business behaviour in the competitive banking environment. The measuring instrument developed in this study could be used to test these relationships.
- This study contributes to the understanding of the rules of business behaviour and found that many significant relationships between confrontational and co-operational business behaviour and potential outcomes exit, such as powerful means to achieve organisational performance, customer loyalty and customer retention.

8.8 AREAS FOR FUTURE RESEARCH

Future research in this topic can be extended to include other geographical areas, for example, banking clients in other countries that have strong, stable and successful commercial banks. In addition, the banking clients and bank managers of smaller banking groups can also be considered to be represented in the sample. The variables

that determine the rules of business behaviour in other related financial services industries, for example, the insurance industry, can be identified and compared to this study's findings. In addition, the model and measuring instrument of this study can be applied to other industries, for example, the tourism and catering industries.

Through the evaluation of the validity of this study's measuring instrument, it became evident that this study can be regarded as valid. All three measures used to evaluate the construct validity of the study proved that the study possesses convergent, discriminant and face validity. In addition, both the reliability measures, namely, the construct reliability (CR) estimates and Cronbach's alpha correlation coefficients indicated high reliability. Therefore, the measuring instruments designed in this study can be used in future research.

Following the above-mentioned areas for future research, it is still important to note that the results of this study conorganisationexisting literature and highlight new findings in the rules of business behaviour in a competitive banking environment.

8.9 LIMITATIONS OF THE STUDY

The following limitations of the study are acknowledged:

- The focus of the study was on the competitive banking industry in Uganda, yet most of the commercial banks were only from the Kampala district. The ability of the study to be generalized in terms of the wider Ugandan banking industry and in general, is therefore listed.
- Due to time and costs constraint, only certain banks were selected. Therefore, not all banks could be reached.

- The close-ended type of questionnaires administered, limits the views and expressions of the respondents.
- There is a possibility that the respondents could have answered the items in the manner in which they viewed the items and not in the manner in which the items were intended to measure the variables of the study.
- The research methodology was only based on the survey method using questionnaires. It could have included documentary sources or interviews which could have enriched the data.

8.10 CONCLUSION

The empirical results of the study show that the independent variables of the study, rules of business behaviour measured by confrontational behaviour, cooperation behaviour and typology of competitors revealed a positive relationship with the competitive banking environment. The findings further indicated that perceptions of the competitive banking environment have a positive relationship with certain outcomes, namely, organisational performance, customer retention and loyalty. Therefore, when carefully managed, rules can be used to help the organisation to achieve goals, remove obstacles to market growth, reduce costly mistakes, improve communication, comply with legal requirements and increase customer loyalty. Some of these rules are unwritten but must be followed as ground rules to help achieve excellent customer service. In a competitive environment business rules provide guidelines on what an organisation can do in detail but these rules must relate to the strategic position and direction of an organisation. Therefore, while a strategy provides high-level direction about what an organisation should do, business rules provide detailed guidance on how a strategy can be translated to action.

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APPENDIX A

COVER LETTER

Nelson Mandela Metropolitan University

for tomorrow

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May 2015

Dear Participant

RESEARCH PROJECT: PERCEPTIONS REGARDING RULES OF BUSINESS BEHAVIOUR IN THE COMPETITITVE BANKING ENVIRONMENT OF UGANDA

Ms H Mukasa is a registered PhD student in the Department of Business Management at the Nelson Mandela Metropolitan University in Port Elizabeth, South Africa. He is currently busy with an empirical study investigating perceptions regarding rules of business behaviour in the competitive banking environment of Uganda. Implementing the intended strategic position of an organisation requires the development of guidelines for the behaviour of all its members in all served markets. Depending on its basic values and resources, market power and challenges in the external environment, the business behaviour of an organisation can vary between confrontation and cooperation. It is envisaged that this study will provide useful insight into identifying key aspects related to rules of business behaviour in the competitive banking environment of Uganda.

The questionnaire consists of six sections. All data sources will be treated as confidential and would be used for research purposes only. The majority of the data will be reported in statistical form and no individual respondents will be identified. You can complete the questionnaire anonymously. Thank you very much for your willingness and time to complete this questionnaire.

Kind regards

Prof NE Mazibuko & Prof EE Smith	Mr H Mukasa
Research coordinators	Researcher

APPENDIX B

QUESTIONNAIRE

QUESTIONNAIRE

PERCEPTIONS REGARDING RULES OF BUSINESS BEHAVIOUR IN COMPETITIVE BANKING ENVIRONMENT OF UGANDA

SECTION A

CONFRONTATIONAL BEHAVIOUR

Please indicate the extent of your agreement with the statements by means of a cross (X) in the boxes provided. The following scales are used: 1=Strongly Disagree, 2=Disagree, 3=Somewhat Disagree, 4=Neutral, 5=Somewhat Agree, 6=Agree, 7=Strongly Agree.

	MY BANK …	**Strongly Disagree**	**Disagree**	**Somewhat Disagree**	**Neutral**	**Somewhat Agree**	**Agree**	**Strongly Agree**
1	Have different fee structures for different clientele groups (e.g. pensioners, students).	1	2	3	4	5	6	7
2	Focuses on offering products of good quality at reasonable cost.	1	2	3	4	5	6	7
3	Focuses on offering products with similar features to those offered by competitors at lower prices.	1	2	3	4	5	6	7
4	Focuses on offering products that are similar to the competitors' at different price ranges.	1	2	3	4	5	6	7
5	Focuses on offering products of high value at affordable prices.	1	2	3	4	5	6	7
6	Has an efficient department to handle complaints of clients in an effort to standardise their experiences.	1	2	3	4	5	6	7
7	Empowers frontline employees to be more competent than the staff of its competitors.	1	2	3	4	5	6	7
8	Ensures that the importance of its clientele is reflected in its business philosophy.	1	2	3	4	5	6	7
9	Makes an effort to customise its products for different customer groups.	1	2	3	4	5	6	7
10	Uses technology to create a suitable foundation for developing new products.	1	2	3	4	5	6	7

	MY BANK …	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
11	Provides online banking facilities to reduce long waiting queues in the bank.	1	2	3	4	5	6	7
12	Concentrates on the needs of specific customer groups (e.g. SMMEs, co-operatives, etc.).	1	2	3	4	5	6	7
13	Offers mobile banking facilities at major events (e.g. concerts, sport and festivals).	1	2	3	4	5	6	7
14	Attacks competitors in areas which they are least capable of defending (e.g. mobile ATM's in remote areas).	1	2	3	4	5	6	7
15	Applies product-line stretching by offering a savings facility to various customer groups (e.g. pensioners, students and government social grants).	1	2	3	4	5	6	7
16	Engages in continuous research and development to create new products.	1	2	3	4	5	6	7
17	Engages in social responsibility initiatives (e.g. sponsorships to the community).	1	2	3	4	5	6	7
18	Conducts its business practices in an environmentally-friendly manner (e.g. online services, open-plan offices).	1	2	3	4	5	6	7
19	Focuses on customer needs in product markets not served by its competitors (e.g. share ownership schemes).	1	2	3	4	5	6	7
20	Enters country markets with local products not served by competitors (e.g. rendering services in other developing countries).	1	2	3	4	5	6	7
21	Facilitates foreign exchange transactions which rivals do not offer.	1	2	3	4	5	6	7
22	Offers loyalty reward programmes to clients which rivals do not offer.	1	2	3	4	5	6	7
23	Uses unconventional marketing strategies by surprisingly striking clients at a more personal level.	1	2	3	4	5	6	7
24	Makes small periodic attacks against larger competitors hoping to establish a permanent foothold in the market.	1	2	3	4	5	6	7
25	Engages in marketing strategies which involve unexpected approaches to gain maximum exposure.	1	2	3	4	5	6	7

SECTION B
CO-OPERATIONAL BEHAVIOUR

	MY BANK …	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
1	Shares scarce resources with other organisations to serve clients more effectively.	1	2	3	4	5	6	7
2	Collaborates with strong domestic business partners to attract foreign investment.	1	2	3	4	5	6	7
3	Gains recognition/status within diverse markets by engaging with other business partners.	1	2	3	4	5	6	7
4	Focuses on offering one-stop shop convenience by involving other business partners.	1	2	3	4	5	6	7
5	Contributes to job creation by joining forces with other business partners.	1	2	3	4	5	6	7
6	Secures access to various sources of capital by joining forces with other organisations.	1	2	3	4	5	6	7
7	Has access to other user-friendly banking techniques by partnering with other organisations.	1	2	3	4	5	6	7
8	Secures access to advanced technology equipment by partnering with other organisations.	1	2	3	4	5	6	7
9	Accelerates market entry by joining forces with other organisations.	1	2	3	4	5	6	7
10	Generates substantial cost savings by joining forces with other organisations.	1	2	3	4	5	6	7
11	Forms alliances to respond to competitor challenges by counter-attacking through increased price cuts.	1	2	3	4	5	6	7
12	Forms alliances to become more innovative in introducing new banking products.	1	2	3	4	5	6	7
13	Has access to more resources for adequate research and development in banking by forming alliances.	1	2	3	4	5	6	7
14	Forms alliances to compete effectively with larger banks through sharing of effective promotional tools.	1	2	3	4	5	6	7
15	Forms alliances to exploit economies of scale (reduced cost opportunities by producing more output with less input).	1	2	3	4	5	6	7

SECTION C

TYPOLOGY OF COMPETITORS IN BANKING ENVIRONMENT

	MY BANK …	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
1	Reacts only when there are price cuts by other competitors in the industry.	1	2	3	4	5	6	7
2	Ignores competitors' efforts of training their staff by rather offering its own staff loyalty incentives.	1	2	3	4	5	6	7
3	Focuses rather on social responsibility initiatives when faced with sales boosting efforts of competitors.	1	2	3	4	5	6	7
4	Does not let competitors bring new products easily into the market.	1	2	3	4	5	6	7
5	Strategically withdraws non-profitable product lines.							
6	Builds safety measures around its competitive position in the industry (e.g. being industry cost leader).	1	2	3	4	5	6	7
7	Creates bases to protect a weak front (e.g. substituting long waiting queues with ATM facilities nearby).	1	2	3	4	5	6	7
8	Launches an anticipatory competitive defense in several ways (e.g. reducing bank charges before rivals do).	1	2	3	4	5	6	7
9	Reacts only to promotional messages of its competitors.	1	2	3	4	5	6	7
10	Reacts swiftly to any attack by competitors.	1	2	3	4	5	6	7
11	Invades the attacker's competitive position by prematurely announcing a new product launch.	1	2	3	4	5	6	7
12	Does not react strongly to a rival's move because it may lack the funds to react.	1	2	3	4	5	6	7
13	Does not react strongly to a rival's move because it feels that its clients are loyal.	1	2	3	4	5	6	7
14	Does not exhibit a predictable reaction pattern when faced by competitors' actions.	1	2	3	4	5	6	7
15	Always acts in a manner that creates uncertainty among competitors.	1	2	3	4	5	6	7

SECTION D

PERCEPTIONS REGARDING COMPETITIVE BANKING ENVIRONMENT

	MY BANK …	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
1	Prefers to participate where competitors have much effect on the going-rate of bank charges.	1	2	3	4	5	6	7
2	Prefers the type of a market in which competitors try to develop differentiated offers for different customer segments.	1	2	3	4	5	6	7
3	Prefers the type of market that consists of few competitors who are highly sensitive to each other's pricing/marketing strategies.	1	2	3	4	5	6	7
4	Prefers the type of market that consists of only one competitor.	1	2	3	4	5	6	7
5	Is a cost-leader by charging customers fair prices as compared to major rivals.	1	2	3	4	5	6	7
6	Provides products through advanced technology that is useful to clients (e.g. SMS alerts, ATMs and internet banking).	1	2	3	4	5	6	7
7	Personalises (customises) banking products according to the individual needs of its clients.	1	2	3	4	5	6	7
8	Has employees that possess valuable core competencies/skills required in the banking industry.	1	2	3	4	5	6	7
9	Focuses on welfare initiatives that improve banking efficiency (e.g. creating poverty alleviation and environmentally awareness programmes).	1	2	3	4	5	6	7
10	Effectively communicates with clients through supported services (e.g. phones, internet) to keep them up to date.	1	2	3	4	5	6	7

SECTION E

PERCEPTIONS REGARDING OUTCOMES OF THE COMPETITIVE BANKING ENVIRONMENT

	MY BANK ...	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
1	Improves sustainable profitability.	1	2	3	4	5	6	7
2	Ensures that resources are optimally utilised.	1	2	3	4	5	6	7
3	Obtains increased recognition among international business partners.	1	2	3	4	5	6	7
4	Focuses on employee empowerment (training) to improve organisational efficiency.	1	2	3	4	5	6	7
5	Captures a favorable public image within society.	1	2	3	4	5	6	7
6	Conducts its business in a socially responsible manner (e.g. sponsoring events).	1	2	3	4	5	6	7
7	Is involved in ethical practices that enhance the growth of the bank.	1	2	3	4	5	6	7
8	Ensures that effective corporate governance practices are in place.	1	2	3	4	5	6	7
9	Ensures that clients remain because it provides convenience through online service facilities.	1	2	3	4	5	6	7
10	Ensures that clients remain because it uses talented employees to respond to the customers' needs.	1	2	3	4	5	6	7
11	Ensures that clients remain because it responds quickly to customer complaints.	1	2	3	4	5	6	7
12	Ensures that clients remain because it offers a variety of product lines (e.g. savings, credit, investment, insurance, propety development, loans, etc.).	1	2	3	4	5	6	7
13	Ensures that clients remain because it provides user-friendly technology to access banking facilities.	1	2	3	4	5	6	7
14	Ensures that clients remain because it regularly uses online facilities to provide detailed information on banking issues.	1	2	3	4	5	6	7
15	Ensures that clients are committed because it offers customised products.	1	2	3	4	5	6	7
16	Ensures that clients are committed because it provides convenience (24 hour services).	1	2	3	4	5	6	7
17	Ensures that clients are committed because it offers a variety of banking products.	1	2	3	4	5	6	7
18	Ensures that clients are committed because it offers personalised caring services.	1	2	3	4	5	6	7
19	Ensures that clients are committed because it participates in community upliftment programmes (donations, poverty alleviation, etc.).	1	2	3	4	5	6	7
20	Ensures that clients are committed because it exceeds client expectations regarding service delivery.	1	2	3	4	5	6	7

SECTION F

BIOGRAPHICAL INFORMATION

Please tick the appropriate box below with a X:

1. Position in the organisation

Senior Management	1	Middle Management	2	Supervisory	3	Other	4

2. Gender

Female	1	Male	2

3. Age group (Years)

21 – 30	1	31–40	2	41–50	3	51 – 60	4	>60	5

4. Highest educational qualification(s)

‘O’ Level	1	‘A’ Level/Diploma	2	Bachelor’s degree	3	Post graduate degree/diploma	4	Other (please specify)	5

5. Number of years in which bank exists

1 – 5	1	6–10	2	11–15	3	16-20	4	21 and above	5

6. Number of employees in bank

≤50	1	51-100	2	101-150	3	151–200	4	>200	5

7. Length of current employment (years)

1 – 5	1	6 – 10	2	11 – 15	3	16 - 20	4	21 and above	5

8. Section in which you are employed in bank

Management	1	Marketing	5
General administration	2	Financial planning	6
Business development	3	Operations	7
Credit/loans	4	Other (please specify)	8

THANK YOU FOR YOUR TIME AND COOPERATION

APPENDIX C

ETHICS FORM

FORM E

ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES

Please type or complete in black ink

FACULTY: Business and Economics Sciences ___________________________________

SCHOOL/DEPARTMENT: Management Sciences_________________________________

I, (surname and initials of supervisor) Mazibuko N.E.________________________________

the supervisor for (surname and initials of candidate) **Mukasa H.**_______________________

___________________________ Student number: **210252235**

a candidate for the degree of Doctor of philosophy in commerce (Business Management) -PhD
____

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):

Perceptions regarding the rules of business behaviour in the competitive banking environment in Uganda.

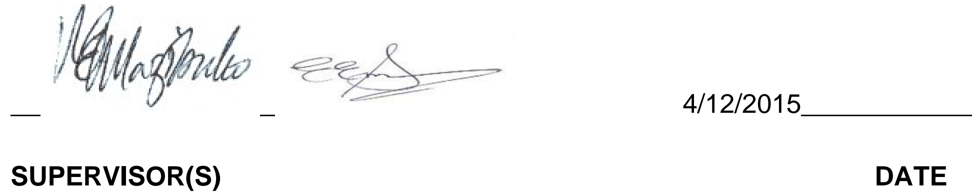
considered the following ethics criteria *(please tick the appropriate block):*

	YES	NO
1. Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?		X
2. Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		X
2.1 Are subjects/participants/respondents of your study:		
(a) Children under the age of 18?		X
(b) NMMU staff?		X
(c) NMMU students?		X
(d) The elderly/persons over the age of 60?		X
(e) A sample from an institution (e.g. hospital/school)?		X
(f) Handicapped (e.g. mentally or physically)?		X
3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		X
3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		X
4. Will the participant's privacy, anonymity or confidentiality be compromised?		X
4.1 Are you administering a questionnaire/survey that:		
(a) Collects sensitive/identifiable data from participants?		X
(b) Does not guarantee the anonymity of the participant?		X
(c) Does not guarantee the confidentiality of the participant and the data?		X
(d) Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		X
(e) Will create doubt whether sample control measures are in place?		X
(f) Will be distributed electronically via email (and requesting an email response)? Note: • If your questionnaire **DOES NOT** request respondents' identification, is distributed electronically and you request respondents to return it *manually* (print out and deliver/mail); **AND** respondent anonymity can be guaranteed, your answer will be NO.		X

• If your questionnaire **DOES NOT** request respondents' identification, is *distributed via an email link and works through a web response system (e.g. the university survey system);* ***AND*** respondent anonymity can be guaranteed, your answer will be NO.		

Please note that if ***ANY*** *of the questions above have been answered in the affirmative* ***(YES)*** *the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.*

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.



__ _ 4/12/2015____________

SUPERVISOR(S) **DATE**

_ 4/12/2015_________________

HEAD OF DEPARTMENT **DATE**

_4 / 12/ 2015_______________

STUDENT(S) **DATE**

Please ensure that the research methodology section from the proposal is attached to this form.

APPENDIX D

LANGUAGE EDITING

for tomorrow

• PO Box 77000 • Nelson Mandela Metropolitan University
• Port Elizabeth • 6031 • South Africa • www.nmmu.ac.za
• South Africa• www.nmmu.ac.za

DECLARATION: LANGUAGE PRACTITIONER

This is to confirm that Mrs V.M. Maqagi edited the thesis (PhD) submission entitled:

Perceptions regarding the rules of business behaviour in the competitive banking environment in Uganda.

PhD candidate: Herbert Mukasa (s210252235)

Mrs Vuyiswa Melrose Maqagi

Lecturer: Language and Literature (English)
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