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CREATING SUSTAINABLE COMPETITIVE ADVANTAGE IN BANKING THROUGH TECHNOLOGY, CUSTOMER RELATIONSHIP MANAGEMENT AND INTERNAL MARKERTING: A CASE STUDY OF CO-OPERATIVE BANK OF KENYA (CO-OP BANK) LTD

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CREATING SUSTAINABLE COMPETITIVE ADVANTAGE IN BANKING THROUGH TECHNOLOGY, CUSTOMER RELATIONSHIP MANAGEMENT AND INTERNAL MARKERTING: A CASE STUDY OF CO-OPERATIVE BANK OF KENYA (CO-OP BANK) LTD

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ABSTRACT

Purpose: The purpose of this study was to identify the need of creating sustainable competitive advantage in banking through technology, customer relationship management and internal marketing.

Methodology: The descriptive survey research design was preferred. The population of the study was 3,193 employees of the Co-op Bank. The sampling frame was the list of employees given by the human resource department of cooperative bank of Kenya as at the close of year 2012. The unit of analysis was the employees. Stratified random sampling; was used. The sample was therefore 68 employees spread across the bank. The study used a questionnaire as the preferred data collection tool. Descriptive statistics used in the study included frequencies and measures of tendency mainly means and frequencies. Inferential statistics included correlation analysis. The tool for data analysis is Statistical Package for Social Sciences (SPSS) version 17 program. The results were presented using tables and pie charts to give a clear picture of the research findings.

Results: It was possible to conclude that that the relationship between information technology and competitive advantage is positive and significant. The findings imply that customer relationship management (CRM) has a significant positive effect on competitive advantage of banks. The findings imply that internal marketing has a significant effect on competitive advantage.

Unique contribution to theory, practice and policy: The study recommends that further investigation be done on the effect of information technology, customer relationship management and internal marketing on the competitive advantage for nonbanking organizations. For instance the study can be replicated in manufacturing organizations

Keywords: *Internal Marketing, Competitive advantage, Sustainable Competitive Advantage, Information Technology*

1.1 INTRODUCTION

Firstly, the activity-position view argues that the firm's superior performance mostly results from its strategic choice that provides the firm a better positioning in the industry structure (Porter, 1980; 1985; 1991; 1996; Ghemawat & Rivkin, 2001). Porter (1980) argues that the strategic choice is determined by a range of competitive forces: the bargaining power of customers, the bargaining power of suppliers, and the intensity of rivalry amongst firms in the industry, the threat of substitute products, and the threat of new entrants into the industry. Thus, in this view, competitive advantage is achieved by fitting the role that can meet the industry-specific position. In particular, Porter (1996) emphasizes that competitive advantage resides in business activities and activity systems, rather than firm resources.

Secondly, the resource-based view holds that dissimilar resource endowments result in distinctive competitive advantage and different performances between firms (e.g., Barney, 1991; Wernerfelt, 1984; Peteraf & Barney, 2003). According to this view, the primary resources regarding a firm's competitive advantage include its physical assets, financial capital, human resources, organizational systems, technology and knowledge, and intangible assets (e.g., trademark, patent, copyright, and goodwill). In particular, Barney (1991) indicates that a firm's sustained competitive advantage results from its strategic resources that are valuable, rare, imperfectly imitable, and non-substitutable. This view focuses on a firm's internal attributes, especially its strategic resources (Peteraf & Barney, 2003).

Internal marketing act as part of the marketing strategy with the employee's themselves being termed as internal customers (Roberts-Lombard, 2009). It is used as a philosophy for managing the firm's human resources based on a marketing perspective to build internal competencies for external success (George, 1990). It is a strategy that aims at the creation of high-performance work systems by managing the interdependent elements of the internal marketing concepts to achieve greater firm's competencies (Ahmed and Rafiq, 2003). Rafiq and Ahmed (1998) expands the idea of internal marketing and define it as "a planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and interfunctionally coordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer oriented employees.

Competition within the banking industry is becoming fiercer. Effective setting up of business operational strategies is crucial to survival. Within the volatile and unpredictable financial market, banks' ability to make strategic decisions relies heavily on whether they can efficiently interpret information so as to maintain customer loyalty, reduce operational costs, maximize wealth and maintain a sustainable growth rate (Sun 2010). In the meantime, competition is not bounded by the geographical boundaries between countries any more. Large multinational banking corporations make it even harder for the smaller ones to survive. Nevertheless, we have just witnessed a large empire in the global financial market collapse overnight. Without an effective weapon, any player in the game will suffer and eventually fail. Information will be the most important weapon in today's financial market competition (Reinartz, 2004).

Customer relationship management (CRM) came into power when banking institutions became more and more competitive. They now realized the value of their customers and this need is pushing banks to seek solutions through technology. Banks are focusing on managing customer relationships in order to minimize the challenges like global competition for deposits, loans, underwriting fees, increasing customer demands, shrinking profit margins, and the need to keep up with the new technologies (Malik & Harper, 2009). So to improve the quality and magnitude of their businesses, companies must design and implement their own CRM programs (Soch & Sandhu, 2008).

Co-operative Bank was established in 1965, initially as a cooperative society. The banking license was granted in 1968. The Kenya Government directed all cooperative societies in the country to transfer their deposits to the Cooperative Bank of Kenya and that all cooperatives buy the bank's shares. In 1977, the bank opened its first subsidiary: Cooperative Finance Limited. In 1989, the bank converted to a fully fledged commercial bank and increased its products menu. In 1998 the bank's headquarters were relocated following destruction of the original premises by the bombing targeting the nearby Embassy of the United States of America. That same year, the bank became an agent of the money-transfer service company Money Gram. In 2002, the bank's headquarters returned to Cooperative Bank House following renovations. In 2008, the bank listed on the Nairobi Stock Exchange, where its shares trade under the symbol. The Co-operative Bank is 100 percent privately owned by over 57,000 Kenyan shareholders. Out of this, Co-operative Societies and Unions own 65 percent, while individual members of co-operatives own the remaining 35 percent, making Co-op Bank the largest private indigenous bank in Kenya. As of December 2012, Cooperative Bank of Kenya had 190 branches.

1.2 Problem Statement

In today's deregulated world, members of financial services industry are continuously forced to seek new ways to gain on their competitors and to outdo one another in terms of effectively reaching to retail customers' demands for increasing sophisticated financial products and services (Peteraf & Barney, 2003). As they have moved away from traditional broad based marketing to retail relationship service provision to attract and hold customers, to cross-sell products and most importantly to turn customers to avail multi products and services, customer relationship management is of utmost importance to financial services industry for survival and growth. To keep customers in today's competitive environment, financial institutions are increasing the depth of relationship through implementation of customer relationship management programs (Soch & Sandhu, 2008).

Studies on the influence of customer relationship management, technology and internal marketing are scarce. Past studies either focus on one aspect only. Some studies (for instance, Soch & Sandhu, 2008) focus on customer relationship management and its influence on competitive advantage only. Others (for instance, Sheth and Parvatiyar, 2000) focus on technology only as a source of competitive advantage. Still others (for instance RobertsLombard, 2009) focus on internal marketing as a source of competitive advantage. No study has focused on the three aspects in one go and the influence that the three aspects would have on competitive advantage. This implies that a research gap exists. It is for this research gap that this study wished to identify the need of creating sustainable competitive advantage in banking through technology and customer relationship management

1.3 Study Objectives

(i) How can technology be used as a source of sustainable competitive advantage in banking,
(ii) How can customer relationship management contribute to sustainable competitive advantage in banking
(iii) What is the effect of internal marketing on the competitive advantage of commercial banks in Kenya?

2.0 LITERATURE REVIEW

2.1.1 Technology as a Source of Sustainable Competitive Advantage in Banking Industry

Information and Communication Technologies (ICTs) may be viewed in different ways. The World Bank defines ICTs as "the set of activities which facilitate by electronic means the processing, transmission the customer populace as one system, there is simulated division of labour among bank branches with its associated positive impact on productivity among the branches. Furthermore, as it curtails customer travel distance to bank branches it offers more time for customers' productive activities. Technological innovation such as the use of computer automation and electronic banking influences speed of bank services delivery, enhanced management decision making and saving time (Alu,2002).

Information and Communication Technology has provided self-service facilities (automated customer service machines) from where prospective bank customers can complete their account opening documents direct online. It assists customers to validate their account numbers and receive instruction on when and how to receive their cheque books, credit and debit cards (Agboola, 2001).Thus, Technological Innovation deals with the Physical devices and software that link various computer hardware components and transfer data from one physical location to another (Laudon and Laudon; 2001 & 2010). ICT products in use in the banking industry include Automated Teller Machine, Smart Cards, Telephone Banking, MICR, Electronic Funds Transfer, Electronic Data Interchange, Electronic Home and Office Banking. Electronic Banking has tremendously improved the services of banks to their customers (Agboola, 2001).

2.1.2 Customer Relationship Management as a Contribution to Sustainable Competitive Advantage in Banking Industry

Today, many businesses such as banks, insurance companies and other service providers realizes the importance of customer relationship management and its potential to help them acquire new customers, retain the existing ones and their life time value. Onut etal (2007) argues that CRM is a business strategy of identifying the banks most profitable customer and prospects, and devotes time and attention to expanding account relationships with those customers through individualized marketing, reprising, discretionary decision making and customized service all delivered through the various sales channels that the bank uses. In the words of Joyner (2002) as quoted by Pokharel

(2011) states that, the banking industry is facing an ever increasing level of competition around the world as the dynamics of the business change. Technology, commoditization, deregulation and globalization forever change the face of the bank. Banks have understood the need to capitalize on the new technologies to gain advantage in the competition by exploiting their customer base, brand value and costly infrastructure investments in order to increase profits as there is a direct link between the customer satisfaction and the profitability.

Implementing customer relationship management, Mihelis etal, (2001) as quoted by Onut etal, (2007) considers the implementation of CRM in the banking sector to be focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with the distinctive preferences and expectations in the private bank sector. Saleh et al (2004) cited in Opara (2010) assert that banks have already began the process of deconstructing their business through horizontal process of outsourcing, involving two trends; deconstruction i.e. move away from monolithic organizations that undertake every activities towards networked' models where a number of institutions (technology, communications) combine to deliver the overall offer to customers, centralization or work cross all segment, brands and competence.

The academic literature suggests that CRM offers a firm strategic benefits, such as greater customer satisfaction and loyalty (Kumar and Shah 2004), higher response to cross-selling efforts (Anderson 1996), and better word-of-mouth publicity. Overall, there is a strong sense that CRM efforts improve firm performance. Boulding and colleagues (2005) note that CRM has the potential to enhance both firm performance and customer benefits through the dual creation of value. According to this view, CRM enables firms to augment the value they extract from customers, while customers gain greater value because firms meet their specific needs.

In this, managerial echelon of every organization has the responsibility to influence the culture of an organization by communicating their priorities, values and concerns, using their own actions, especially showing loyalty, self - sacrifice and service (Saran et al., 2009) to drive the change agenda. Ferrel and Hartline (2005) observe that employees are central to an effective CRM and as such firms must manage its relationships with their employees if they have any hope of fully serving customer needs and that this is especially important in firms where employees are the eyes of customers. Lancaster (2002) again cites Buttler as underscoring the view that to be successful in building relationship management across the organization, companies must develop a supportive organizational culture, market relationship management internally, intimately understand customer expectations, create and maintain detailed customer database and organize and reward employees in such a way that the objectives of CRM is achieved. Resources also play
valuable role towards the realization of organizational goals. In view of this, units and departments within organizations compete for resources such as information, knowledge, personnel and other tangible and intangible assets. Interestingly, units that control resources that are strategic in terms of managing critical relationships between the firm and its environment achieve power within the organization and therefore the firm depends disproportionately for its survival and or success on units that control strategic resources (Mudambi and Pedersen 2007). In this, critical resources such as information and knowledge necessary for addressing customers problem must not be the preserve of a particular unit but organizations must re-align its internal architecture and leverage

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such resources across the spectrum of the organization to enable people deal with customer issues promptly

2.1.3 Effect of Internal Marketing on the Competitive Advantage of Banking Industry.

Nowadays the important and deterministic role of organizations' internal customers (employees) in achieving organization goals have been cleared up more than before by addressing two ideas and concepts of internal marketing and organizational obligation (Roberts-Lombard, 2009). Related studies show that internal marketing activities have improved competitiveness in organization and promoted competencies through influence and motivation- creating and commitment in employees (Ahmed and Rafiq, 2003; Gounaris, 2008; Gupta et al.,2005; Steyn et al., 2004)

Commercial banks offer services in return for a fee. So the concept for internal marketing is applicable to them (Ouma and Munyoki, 2010). Financial intermediation services bridge the gap between the savers/investors and the borrowers. Without this crucial service, it may be impossible to borrow or save due to the limitations of information asymmetry risks and lack of economies of scale. Therefore, the concept of internal marketing may be applicable is a service oriented sector such as the commercial banking sector (Atega, 2010).

Since the banking world in 21st century is full of competition, emerging markets' development, insecure environmental elements and advanced technologies, the requirement of success in this field is to enjoy opportunities and to confront existent challenges (Ouma and Munyoki, 2010). One of the most important of today organization opportunities is access to commitment and powerful employees (Rootman et al, 2007). Thus today, internal marketing in the banking sector has been accepted as one of the effective tools in better implementation of subject organization' plans. In fact, internal marketing means satisfaction and incentives creating for employees, in which, employee as a customer and labour as a product in directions of improving services and customer-oriented is viewed (Greene et al, 1994). In this regard, the organizations which have failed in internal communication programs are able to use internal marketing as a tool to access employees' commitment. Indeed one of the elements that lead to the increase employees' commitment in the organization is to implement and conduct internal marketing successfully (Ballantyne et al., 1995). So, it is important to access and measure organizational commitment and marketing actions to identify weaknesses and strengths of bank and to offer modifications plans so that it would be possible to increase organizational commitment of employees by using an appropriate compiled internal marketing to generate a and ideal pleasant work environment (Prasad & Steffes, 2002; Rootman et al, 2007).The elements of Internal Marketing on the Competitive Advantage of Banking Industry are Customer Orientation, market orientation, Employee Empowerment and Employee Satisfaction (Prasad & Steffes, 2002)

Dulaimi (2005) further argues that the use of the term market-orientation is useful to make it clear that customer orientation is much more than the establishment of customer needs and expectations through the process of briefing and feedback but to include all forces that may impact the effective identification and fulfillment of such needs and expectations. Therefore he argues that the both the terms market orientation and customer orientation portray a wider organization-wide focus on customer and can be used interchangeably. For this research also, both the terms are used interchangeably. Employee's empowerment facilitates the creation of an integrated quality environment, where superior products and services become practical (Titko and Lace, 2012). In order to increase effectiveness in the banking industry, management must become active in empowering their employees (Ladhari et al, 2011). This is done by sharing information, creating autonomy, and establishing self-directed teams. The best Human Resource practices areas are recruitment and selection, socialization, job design, training, communication/participation, career development, performance management, employee reward and job security (Huselid, 1995). It is plausible that when employees judge the organization to be fair and supportive in their treatment particularly with regards to the availability and frequency of promotional opportunities, adequacy of pay and good supervision, positive feelings of well being will be created, which is likely to stimulate that to reciprocate by increasing their loyalty to the organization and reducing turnover (Nasurdin et. al., 2001). The motivation and opportunity focused bundles of Human Resource practices positively related to affective commitment and negatively related to turnover (Gardner et. al., 2007). Wayne et. al. (1997) suggested that HRM practices that signaled the organization's intentions to invest in employees (such as developmental experiences and training) produced higher levels of affective organizational commitment. HR practices such as pay, benefits and training are negatively related to turnover because they motivate employees and "lock" them to their jobs (Lazear, 1986; Madrian, 1994; Gruber & Madrian, 1994).

3.0 RESEARCH METHODOLOGY

The descriptive survey research design was preferred as it enabled the study to describe the state of affairs as far as competitive advantage, information technology; internal marketing and customer relationship was concerned. The population of the study was 3,193 employees of the Co-op Bank. The sampling frame was the list of employees given by the human resource department of cooperative bank of Kenya as at the close of year 2012. The unit of analysis was the employees. Stratified random sampling; a method of sampling that involves the division of a population into smaller groups known as strata was used. The sample was therefore 68 employees spread across the bank. Since there are 4 categories of employees, the sample size is equally spread across the 4 categories. The study used a questionnaire as the preferred data collection tool. Descriptive statistics used in the study included frequencies and measures of tendency mainly means and frequencies. Inferential statistics included correlation analysis. The tool for data analysis is Statistical Package for Social Sciences (SPSS) version 17 program. The results were presented using tables and pie charts to give a clear picture of the research findings.

4.0 RESULTS AND DISCUSSIONS

4.1 Demographics

4.1.1. The Respondents Department

The respondents were requested to indicate the department they were in. 25% of the respondents indicated that they are in accounts and finance department. A further 22% are in risk and

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compliance, 23% are in human resource department, 18% work in administration and finally 12% are in operations. The findings imply that the employees were well distributed across the organization and this may reduce the bias of responses. The results are in Figure 4.2.

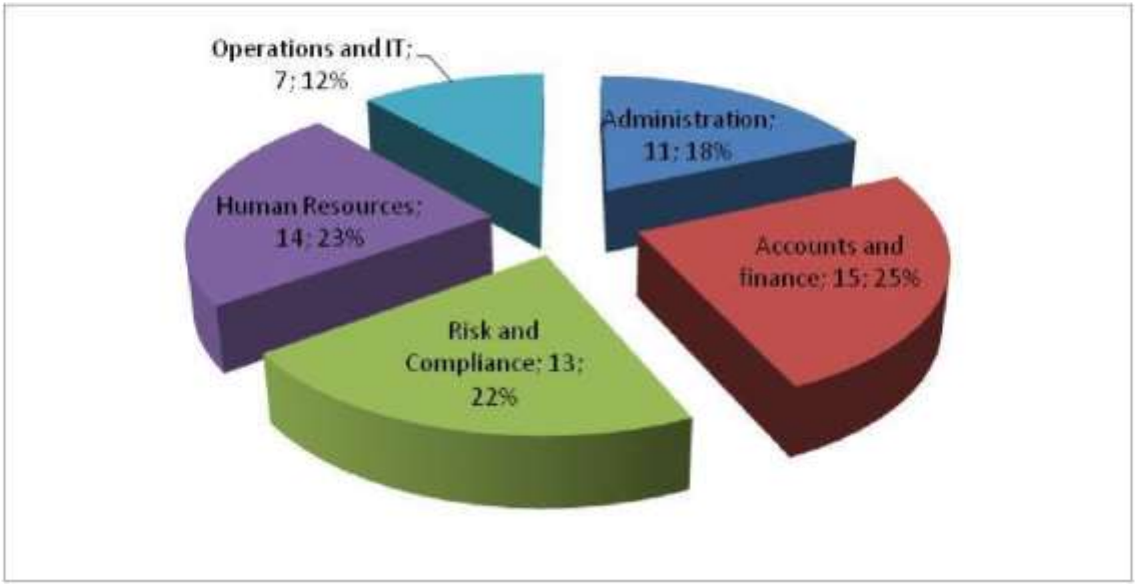

Figure 1: The Respondents Department

4.1.2 Level of Education of Respondents

The respondents were requested to indicate their level of education. Results indicate that 58% of the respondents indicated that their highest level of academic qualification was university level. 22% indicated that their highest level of academic achievement was college while a further 20% were post graduate. The findings implied that the employees in banks are highly qualified and this may have a positive implication on the level of customer relationship management, internal marketing and competitive advantage. The results are in Figure 4.4

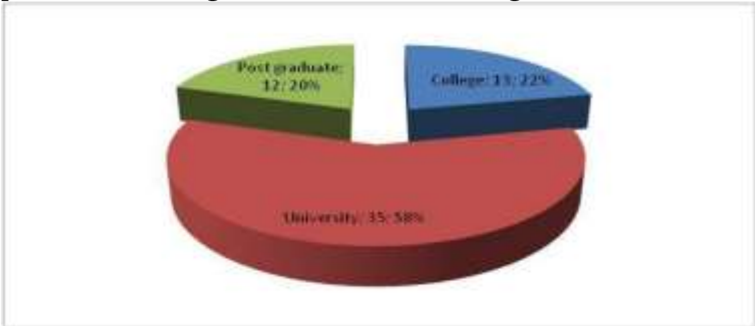

Figure 1: Level of Education of Respondents

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4.2 Competitive Advantage

4.2.1 Competitive Advantage and Market Share

The respondents were asked if the bank enjoys the competitive advantage of large market share. A majority (51.7%) agreed while another 8.3% strongly agreed bringing to a total of (60%) of those who agreed. Eighteen point three percent were neutral, 8.3% strongly disagreed and 13.3% disagreed. The results are presented in Table 1

Table 1: Competitive Advantage and Market Share

	Frequency	Percent
strongly disagree	5	8.3%
disagree	8	13.3%
neutral	11	18.3%
agree	31	51.7%
strongly agree	5	8.3%
Total	**60**	**100.00**

4.2.2 Competitive Advantage of Enhanced and Stronger Customer Loyalty

The respondents were asked if the bank enjoys the competitive advantage of enhanced and stronger customer loyalty. A majority (45%) strongly agreed while 28.3 % agreed bringing to a total of (73%) of those who agreed. 6.7% were neutral and 11.7 % strongly disagreed and 8.3%disagreed. The results are presented in Table 2

Table 2: Competitive Advantage of Enhanced And Stronger Customer Loyalty

	Frequency	Percent
strongly disagree	7	11.7%
disagree	5	8.3%
neutral	4	6.7%
agree	17	28.3%
strongly agree	27	45.0%
Total	**60**	**100.0**

4.2.3 Competitive advantage of Huge returns on investments

The respondents were asked if the bank enjoys the competitive advantage of huge returns on investments. A majority (36.7 %) strongly agreed while 30% agreed bringing to a total of (66.7%)

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of those who agreed. Fifteen percent was neutral and 18.3% strongly disagreed and none disagreed. The results are presented in Table 3 .

Table 3:Competitive advantage of Huge returns on investments

	Frequency	Percent
strongly disagree	11	18.3%
neutral	9	15.0%
agree	18	30.0%
strongly agree	22	36.7%
Total	60	100.0

4.2.4 Competitive advantage of Strong technological capability

The respondents were asked if the bank enjoys the competitive advantage of strong technological capability. A majority 41.7% strongly agreed while 23.3% agreed bringing to a total of (65%) of those who agreed. Eight point three were neutral, 8.3% disagreed and 18.3% strongly disagreed. The results are presented in Table 4

Table 4 Competitive advantage of Strong technological capability

	Frequency	Percent
strongly disagree	11	18.3%
disagree	5	8.3%
neutral	5	8.3%
agree	14	23.3%
strongly agree	25	41.7%
Total	60	100.0

4.2.5 Competitive advantage of Modern technological infrastructure

The respondents were asked if the bank enjoys the competitive advantage of modern technological infrastructure. A majority (45%) strongly agreed while 18.3% agreed bringing to a total of 68.3%of those who agreed. eighteen three percent were neutral and none strongly disagreed while 18.3. % strongly disagreed. The results are presented in table 5

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Table 5: Competitive advantage of Modern technological infrastructure

	Frequency	Percent
disagree	11	18.3%
neutral	11	18.3%
agree	27	45.0%
strongly agree	11	18.3%
Total	60	100.0

4.2.6. Competitive Advantage Of Stronger Capital Base

The respondents were asked if the bank enjoys the competitive advantage of stronger capital base. A majority (45%) agreed while 18.3% strongly agreed bringing to a total of (63.3%) of those who agreed. Ten percent were neutral and 18.3% disagreed while 8.3%strongly disagreed. The results are presented in Table 4.13.

Table 6: Competitive Advantage of Stronger Capital Base

	Frequency	Percent
Strongly Disagree	5	8.3%
Disagree	11	18.3%
Neutral	6	10.0%
Agree	27	45.0%
Strongly Agree	11	18.3%
Total	60	100.0

4.3 Information Technology and Sustained Competitive Advantage

4.3.1 The Bank Has Invested In A Management Information System That Is Easy To Use

The respondents were asked if the bank management information system that is easy to use. A majority (51.7%) agreed while 8.3% strongly agreed bringing to a total of (60%) of those who agreed. Thirteen point three percent disagreed. Eighteen point three percent were neutral. However 13.3% disagreed and 8.3 strongly disagreed. The results are presented in table 7.

Table 7: The bank has invested in a management information system that is easy to use

	Frequency	Percent
Strongly Disagree	5	8.3%
Disagree	8	13.3%
Neutral	11	18.3%
Agree	31	51.7%
Strongly Agree	5	8.3%
Total	60	100.0

4.3.2 The Management Information System Has Enabled the Minimization of Administrative Cost

The respondents were asked if the bank management information system enabled the minimization of administrative cost. A majority (51.7%) agreed while 23.3% strongly agreed bringing to a total of (75%) of those who agreed. six point seven were neutral. However 18.3% disagreed and 6.7 strongly disagreed. The results are presented in table 8

Table 8: The Management Information System Has Enabled the Minimization Of Administrative Cost

	Frequency	Percent
Strongly Disagree	4	6.7%
Disagree	11	18.3%
Agree	31	51.7%
Strongly Agree	14	23.3%
Total	**60**	**100.0**

4.3.3 The Management Information System Of The Bank Has Been Crucial In Delivering Innovative Customer Products And Services

The respondents were asked if the bank management information system has been crucial in delivering innovative customer products and services**.** A majority (51.7%) agreed while 23.3% strongly agreed bringing to a total of (75%) of those who agreed. Eleven point seven percent disagreed while 6.7 strongly disagreed. The results are presented in table 9

Table 9:The management information system of the bank has been crucial in delivering innovative customer products and services

	Frequency	Percent
Strongly Disagree	4	6.7%
Disagree	7	11.7%
Neutral	4	6.7%
Agree	31	51.7%
Strongly Agree	14	23.3%
Total	60	100.0

4.3.4 Correlation between Information Technology and Competitive Advantage

Correlation results in Table 4.25 indicates that the relationship between information technology and competitive advantage is positive and significant (r=0.768, p value < 0.01). The findings imply that information technology has significant effect on competitive advantage. **Table 10: Correlation between Information Technology and Competitive Advantage**

		Competitive advantage	Information technology
Competitive advantage	Pearson Correlation	1	.768**
	Sig. (2-tailed)		.000
	N	60	60
Information technology	Pearson Correlation	.768**	1
	Sig. (2-tailed)	.000	
	N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

4.4 Customer Relationship Management and its Contribution To Sustainable Competitive Advantage In Banking Industry.

4.4 .1 The CRM strategy helps banks identify most profitable customer and prospects The respondents were asked if CRM strategy helps banks identify most profitable customer and prospects. A majority 61%agreed while 30% strongly agreed bringing to a total of (91%) of those who agreed and 8.3% disagreed. The results are presented in Table 11

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Table 11: The CRM strategy helps banks identify most profitable customer and prospects

	Frequency	Percent
Strongly Disagree	5	8.3%
Agree	37	61.7%
Strongly Agree	18	30.0%
Total	60	100.0

4.4.2The CRM enables the bank to provide better customer service

The respondents were asked if CRM enables bank make to provide better customer service A majority 50%agreed while [1]1.7% strongly agreed bringing to a total of (91.7%) of those who agreed. However 8.3% disagreed and none strongly disagreed. The results are presented in Table 12

Table 12: The CRM enables the bank to provide better customer service

	Frequency	Percent
Disagree	5	8.3%
Agree	30	50.0%
Strongly Agree	25	41.7%
Total	60	100.0

Correlation results in Table 13 indicates that the relationship between customer relationship management (CRM) and competitive advantage is positive and significant (r=0.584, p value <

[1] **.4.2 Correlation between Customer Relationship Management and Competitive Advantage**

0.01). The findings imply that customer relationship management (CRM) has a significant positive effect on competitive advantage.

Table 13 : Correlation between CRM and Competitive Advantage

		Competitive advantage	crm
Competitive advantage	Pearson Correlation	1	.584**
	Sig. (2-tailed)		.000
	N	60	60
CRM	Pearson Correlation	.584**	1
	Sig. (2-tailed)	.000	
	N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

4.5 Effect of Internal Marketing on the Competitive Advantage of Banking Industry

4.5.1 Constant monitoring the level of commitment in serving customers' needs.

The respondents were asked if they do monitor the level of commitment in serving customers need measure. A majority (63.3%) agreed while 16.7% strongly agreed bringing to a total of (80%) of those who agreed. Eight point three were neutral while 11.7% disagreed. The results are presented in Table 4.33

Table 14: Constantly monitor the level of commitment in serving customers' needs

	Frequency	Percent
Disagree	**7**	**11.7%**
Neutral	**5**	**8.3%**
Agree	**38**	**63.3%**
Strongly Agree	**10**	**16.7%**
Total	**60**	**100.0**

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4.5.3 After sales Service

The respondents were asked if they give close attention to after sale service. A majority (60%) strongly agreed while 26.7% agreed bringing to a total of (86.7) of those who agreed. Five percent were neutral and 8.3% disagreed and none strongly disagreed. The results are presented in Table 4.36.

Table 15: After sales Service

	Frequency	Percent
disagree	5	8.3%
neutral	3	5.0%
agree	16	26.7%
strongly agree	36	60.0%
Total	60	100.0

4.5.2 The management encourages the developed of a clear vision

The respondents were asked if the management encourages the developed of a clear vision. A majority of (56.7% agreed while 40% strongly agreed bringing to a total of (96.7%) of those who agreed. Three point three was neutral. The results are presented in Table 4.44.

Table 16: The management encourages the developed of a clear vision

	Frequency	Percent
neutral	2	3.3%
agree	34	56.7%
strongly agree	24	40.0%
Total	60	100.0

4.5.3 Employee's satisfaction on Career growth

The employee**s** were asked if they were satisfied with their career growth. A majority (45%) agreed while 40% strongly agreed bringing to a total of (85%) of those who agreed. point five percent were neutral, 10% disagreed and none strongly disagreed. The results are presented in Table4.48.

Table 17 : Employees satisfaction on Career growth.

	Frequency	Percent
disagree	6	10.0%
neutral	3	5. %
agree	27	45.0%
strongly agree	24	40.0%
Total	60	100.0

4.5.4 Correlation between Internal Marketing on Competitive Advantage

Correlation results in Table 4.51 indicates that the relationship between internal marketing and competitive advantage is positive and significant ($r=0.712$, p value < 0.01). The findings imply that internal marketing has a significant effect on competitive advantage.

Table 18: Correlation between Internal Marekting and Competitive Advantage

		Competitive advantage	Internal marketing
Competitive advantage	Pearson Correlation	1	.712**
	Sig. (2-tailed)		.000
	N	60	60
Internal marketing	Pearson Correlation	.712**	1
	Sig. (2-tailed)	.000	
	N	60	60

**. Correlation is significant at the 0.01 level (2-tailed).

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

One of the research questions of the study was to determine how technology can be used as a source of sustainable competitive advantage in banking. Results indicated that majority of the respondents agreed with the statements that the bank has invested in a management information system which is easy to use and that the bank has invested in a management information system which has enabled the minimization of administrative costs. Results reveal that majority of the respondents agreed with the statements that the core banks management information system is compatible with other systems and that the management information system is flexible enough to supports the growth of the bank. Study results show that the majority agreed with the statement that the bank has invested heavily in an ATM network, the bank has invested heavily in internet banking and that the management information system of the bank has been crucial in delivering innovative customer products and services. Results also show that the majority agreed with the statement that the management information system of the bank has been crucial in assisting employees to enhance their performance and productivity. Correlation results indicates that the relationship between information technology and competitive advantage is positive and significant ($r=0.768$, p value < 0.01). The findings imply that information technology has significant positive effect on competitive advantage.

The findings agree with those in Brynjolfsson and Hitt (2000) who oint out that ICT contribute significantly to firm level output. They determined that Information Technology capital contributes an 81% marginal increase in output, whereas non Information Technology capital contributes 6%. Likewise they illustrate that Information System professionals are more than twice as productive as non-Information System professionals. Farrell and Saloner (1985) and Economides and Salop (1992), showed that the relationship concerning Information and Communication Technology and banks‟ performance have two encouraging outcomes. 1. ICT can bring down the operational costs of the banks (the cost advantage). For instance, internet technology facilitates and speeds up banks procedures to accomplish standardized and low value added transactions such as bill payments and balance inquiries processes via online network. 2. ICT can promote transactions between customers within the same network (the network effect)

The study sought to answer the question of how customer relationship management can contribute to sustainable competitive advantage in banking. Results reveal that majority of respondents agreed with the statement that CRM strategy enables the banks to analyze the customer profiles. Majority agreed with the statement that CRM strategy helps banks to identifying the banks most profitable customer and prospects and that CRM enables the bank to provide better customer service. Results indicate that majority of respondents agreed with the statement that CRM enables the bank make call centers more efficient and also that CRM enables the bank and help sales staffs close deal faster. Results indicate that that majority of respondents agreed with the statement that CRM enables the bank discover new customers, and increase customer’s revenues. Correlation results indicates that the relationship between customer relationship management (CRM) and competitive advantage is positive and significant ($r=0.584$, p value < 0.01). The findings imply that customer relationship management (CRM) has a significant positive effect on competitive advantage of banks.

The finding compare well with those in Mihelis etal, (2001) who notes that implementing customer relationship management considers the implementation of CRM in the banking sector to be focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with the distinctive preferences and expectations in the private bank sector. The finding compare well with those in Saleh et al (2004) cited in Opara (2010) who assert that banks have already began the process of deconstructing their business through horizontal process of outsourcing, involving two trends; deconstruction i.e. move away from monolithic organizations that undertake every activities towards networked' models where a number of institutions (technology, communications) combine to deliver the overall offer to customers, centralization or work cross all segment, brands and competence. This has led to improved performance and sustainable competitive advantage.

The study sought to answer the question of what is the effect of internal marketing on the competitive advantage of commercial banks in Kenya. Results reveal that majority of respondents agreed with the statement that the banks constantly monitor their level of commitment to serving customers' needs and that they also measure customer satisfaction systematically. Results reveal that majority of respondents agreed with the statement that the banks top managers from every function regularly visit current prospective customers and that the banks gives close attention to after sale service. Study findings indicate that majority of respondents agreed with the statement that the bank freely communicates information about its successful / unsuccessful customers' experiences across all business functions and that all of the banks business functions (e.g. marketing/sales, operations, R and D finance/accounting) are integrated in serving the needs of the target markets. Results show that majority of respondents agreed with the statement that the bank management encourages sharing potentially sensitive information on costs with other employees, on productivity with other employees, on quality with other employees and on financial performance with other employees. Study findings reveal that majority of respondents agreed with the statement that the bank management encourages autonomous action among staff and also encourages the development of a clear vision. Results reveal that employees' are satisfied on recruitment selection systems, compensation package, job security, career growth, reward motivation and working environment. Correlation results reveal that the relationship between internal marketing and competitive advantage is positive and significant ($r=0.712$, p value < 0.01). The findings imply that internal marketing has a significant effect on competitive advantage. The finding compare well with those in Mihelis etal, (2001) who notes that implementing customer relationship management considers the implementation of CRM in the banking sector to be focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with the distinctive preferences and expectations in the private bank sector. The finding compare well with those in Saleh et al (2004) cited in Opara (2010) who assert that banks have already began the process of deconstructing their business through horizontal process of outsourcing, involving two trends; deconstruction i.e. move away from monolithic organizations that undertake every activities towards networked' models where a number of institutions (technology, communications) combine to deliver the overall offer to customers, centralization or work cross all segment, brands and competence. This has led to improved performance and sustainable competitive advantage.

The findings agree with those in Harter et al. (2002), who conducted a metal analysis of studies previously conducted by The Gallup Organization. The study examined aggregated employee job satisfaction sentiments and employee engagement, with the latter variable referring to individual's involvement with as well as enthusiasm for work. Based on 7,939 business units in 36 organizations, the researchers found positive and substantive correlations between employee satisfaction-engagement the business unit outcomes of productivity, profit, employee turnover, employee accidents, customer satisfaction.

5.5 Recommendations

5.5.1 Information Technology and Strategic Competitive Advantage

Following study results, it is recommended that investment in Information technology be emphasized in the banks as it has an effect on the overall achievement of competitive advantage. Therefore the organization is urged to invest in innovative and technology based products such as ATMs, Mobile banking, Internet banking and agency banking. In addition, banks should invest in management information systems which are easy to use and which facilitate minimization of administration and operational costs. In addition, banks should invest in management information systems that are compatible with other systems as well as the one that support the growth of the bank.

5.5.2Customer Relationship Management and Strategic Competitive Advantage

The study recommends that banks should emphasize customer relationship by investing in a customer relationship management system. Specifically, banks should invest in a robust Information technology system as this can certainly help companies to create satisfied and loyal customers. This is because customer relationship management is driven by technology rather than a well articulated customer strategy. In addition, it is recommended that banks need to allocate adequate resources for CRM. In this, critical resources such as information and knowledge necessary for addressing customers problem must not be the preserve of a particular unit but organizations must re-align its internal architecture and leverage such resources across the spectrum of the organization to enable people deal with customer issues promptly. It is further recommend that companies must develop a supportive organizational culture, market relationship management internally, intimately understand customer expectations, create and maintain detailed customer database and organize and reward employees in such a way that the objectives of CRM is achieved. The cultural change results in the transformation of the concept into organizational wide ownership, leading to widespread acceptance across the organization. In this situation it would not be seen as belonging to a particular department. The concept would therefore draw out support from all segments within the organization to enable effective relationship be achieved between the customers and the organization.

5.5.3 Internal Marketing and Strategic Competitive Advantage

In line with study results, it is recommended that employee empowerment be emphasized in the banks as it has an effect on the overall achievement of strategic competitive advantage. Therefore the management is urged to encourage sharing of potentially sensitive information on costs, quality, and productivity on financial performance with other employees. It is recommended that the management to encourage autonomous action among staff and the management also to encourage the developing of a clear visioN

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