Newcastle Graduate School of Business

Competitive Tactics, Generic Strategies and Firm Performance In
Banking Industry in Cambodia

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I hereby certify that the work embodied in this Dissertation Project is the result of original research and has not been submitted for a higher degree to any other University or Institution.

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Abstract

The study was undertaken to identify Porter's (1985) generic strategies employed by commercial banks in Cambodia. It also explored the performance differences between each generic strategy group. The study also aimed to identify competitive tactics and their associated performance. Competitive tactics are competitive methods employed by the banks such as vigorous cost reduction, pursuing high technology, or targeting a special segment of the markets to obtain competitive advantages in the industry. Generic strategies refers to Porter's competitive strategies which include cost leadership, differentiation, focus (focus on cost or focus on differentiation), and stuck-in-the-middle strategies. Each competitive tactic is clustered in accordance with Porter's generic strategies. Firm performance refers to financial performance such as profit margin, return on asset, and return on equity. Nevertheless, only return on asset (ROA) is used in this study as it is a primary banking industry measure (FDIC, 1995) and it is also consistent with the measurements of bank performance in previous studies (Power and Hanh, 2004, Hanh and Power, 2010). The questionnaires, which include questions about competitive tactics, were sent to senior management of the banks such as CEOs or presidents of banks to complete. The performance of each bank- such as financial information was taken from public available information such as annual reports. Then, statistical methods were used to analyse the data to identify competitive tactics and generic strategies employed by the banks and their relationship with firm performance. The study identified the strategies used by commercial banks in Cambodia. Porter's (1985) generic strategies were employed by all commercial banks in Cambodia; nevertheless, most of them used combination of Porter's (1985) generic strategies rather than pure strategy. Additionally, the study found that the performance difference between each strategic group was not statistically significant. Nevertheless, it was found that some strategy groups had higher performance than others. Regarding competitive tactics which support each generic strategy, the study found that most competitive tactics were not associated with performance. The study

also found that none of the combination of competitive tactics within and between each generic strategy contributed to performance.