STRATEGIC MANAGEMENT PRACTICES ADOPTED BY ABC BANK TO GAIN COMPETITIVE ADVANTAGE

BY

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DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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REG. NO. D61/81199/2015

This research project has been submitted for examination with my approval as a University Supervisor.

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DEDICATION

This project is dedicated to my parents, Margaret Wanjiku and Daniel Macharia for their encouragement. My sons Alvin and Daniel my daughter Ciku for their perseverance in long hours I spent on the project. My wife Julie who tirelessly woke up early enough to ensure my day is fine.
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ABSTRACT

Many organizations whether locally or abroad, public or private have in the recent past realized that it’s paramount to streamline their business process in a manner that meets unsettled needs that keep on emerging. All in all, the process of implementing change is challenging thus when changes occur, organizations that adjust quickly create a competitive advantage position for themselves while the companies that reject to change always have issues in their operations hence the need for an effective strategic management practices. The aim of this study was to establish the strategic management practices adopted by ABC Bank in Kenya. Specifically, the study set to establish the strategic management practices adopted to gain competitive advantage and how to sustain relevance and competitiveness at ABC bank. During the study, the managing director, operations manager, credit manager, internal audit head, financial controller, human resource manager and other departmental heads were interviewed. It was revealed that the top management was responsible for the implementation monitoring of the management practices through training programmes, seminars, workshops and staff motivation. It was recommended that management practices need to be at finger tips with the managers so that they can easily recognize weak areas and how to enhance. Further training was recommended so as to acquire skills in strategic management practices. The study also recommends ABC though part of their culture to emphasize on analyzing market, identify their competition, and learn from the their competition and customers. The study also recommends ABC to consistently maintain competitive advantage already gained by prediction of future trends, frequent research, and monitoring of competitors and be flexible enough to effectively handle customers’ wants.
ABREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ABC</td>
<td>African Banking Corporation</td>
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<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>SACCO</td>
<td>Savings and credit cooperative organization</td>
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<tr>
<td>CRM</td>
<td>Customer Relationship management</td>
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<tr>
<td>KYC</td>
<td>Know Your Customer</td>
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<tr>
<td>eQMS</td>
<td>Electronic Queuing Management System</td>
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<tr>
<td>UK</td>
<td>United Kingdom</td>
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<td>US</td>
<td>United States</td>
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<tr>
<td>RTGS</td>
<td>Real Time Gross Settlement</td>
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<td>EFTs</td>
<td>Electronic Funds Transfer</td>
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<td>SWIFTs</td>
<td>Society For Worldwide Interbank Financial Systems</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Many organizations whether locally or abroad, public or private have in the recent past realized that it’s paramount to embrace strategic management so as to gain competitive advantage. In this study, the researcher established that the organization’s ability to adapt to new conditions in the dynamic and highly competitive business environment so as to be successful depends with the organization’s strategic management practices put in place. The environments in which these organizations thrive have become unpredictable and strongly interlaced. Organizations are required to think strategically and vigorously and work out on effective management practices to help cope with the changing environment (Blackwell, 1989).

The researcher identified the right management practices to adopt for the success of the organization bearing in mind that even though we may have good management practices, successful implementation remains a major challenge. Management practices form core factor in management and are adopted then implemented (Spender, 1980). Good and effective management practices are flexible and proactive helping an organization to stand against competitors. Porter (1998) argues that for a successful organization, a business unit must adopt the management practices otherwise the organization will be stuck. The pursuit of growth and profitability is always carried out in the banking industry to assess the performance and implementation of various strategies put in place.
The study focuses on strategic management practices aimed at achieving competitive advantage and the performance of an organization to its competitive advantage. Also anchored by McKinsey 7s model.

According to Michael Porter (1986), some of the most important factors that help gain competitive advantage include; organizations’ competitive position, reputation between suppliers and creditors, composition of its customers and the ability to attract employees. Assessment of an organization’s competitive strategy enhances the chances of an organization of coming up with management practices and strategies that optimize output. Every organization must have management practices and strategies well implemented for the success of any organization. Andrews (1971) and Chaffee (1985) define management practices as decisions and plans goals that firms undertake in achieving such goals, while Hoffer and Schendel (1978) and Drucker (1954) view strategy and management practices as that which defines the business of an organization.

1.1.1 Strategic management practices

Strategic Management practices refer to the various strategies a firm or an organization adopts so as to gain its objectives. It’s usually a set of managerial actions and decisions that determine the long term direction and performance of an organization. Strategic management practices refers to the ongoing process that helps evaluate and control the business, set goals and strategies, assess its competitors and reassess the strategy(ies) regularly to establish its suitability. Strategic management practices entail formulation and implementation of strategies that will help in positioning the firm and its environment to gain organizational objectives. Strategic management gives an overall
direction to the organization (Covin, 1991). Organizations that engage in perpetual strategic management practices adopt the evaluation, formulation, and implementation of their strategies on analysis of ecological issues they encounter, the kind of values they carry which ensures continuity and the ecological interests of their stakeholders. Researchers have always linked strategic management practices with performance either high or low performance (Chell et al, 1991).

The researcher did establish the best strategic management practices which would bring about high performance hence the success of ABC Bank. These practices upon identification shall be embraced and taken as initiatives by ABC Bank. Some of these strategic management practices the researcher seeks to establish are; discovery of new markets, development of new operating technologies, product and service innovations, product quality, advertising, and customer service.

The researcher found out why organizations should focus on strategic management practices. Murphy (2003) identified various strategic management practices prevalent among organizations. These include; incentive plans, training programs, career management practices, hiring practices and job descriptions. Efficient and effective technology management practices are important in every stage of an organization. This attributes a very important role that technology play in organizations’ operational activities (Sahlman & Haapasalo, 2009). According to Coulter(2008) and Analoui & Karami(2003), strategic management practices are paramount in building competitive advantage for organizations.
1.1.2 Competitive advantage

Competitive advantage can be defined as the condition or circumstance that places a company in a better or superior position than its competitors making it achieve better margins or sales or secure more customers than its rivals. Competitive advantage offers firms an edge over its rivals making it achieve greater value for the organization and its shareholders. There are several competitive advantages for instance customer support, distribution network, an organization’s cost structure and product offering. The more the focused and long lasting the competitive advantage, the tougher it is for competitors to neutralize the advantage (Porter, 1998).

Competitive advantage defines to a situation where an organization is capable of generating profits above the organization’s average. Where this situation persists over a time, the organization is said to have a competitive advantage. The researcher found out means of measuring competitive advantage. (Randall E.W, 2001) argues that measurement of competitive advantage is much simpler and more straightforward than the measurement of drivers. He maintains that one can easily tell the consequences of advantage in generating profits meaning that profits do not vanish with competitive pressure. Measurement of competitive advantage can also be seen in sustained or growing market share and marks the most logical way of measuring competitive advantage among rivals. Number of new entrants and survivorship across time are considered as less measurements of competitive advantage.

The researcher adopted several approaches to measure competitive advantage and realized the benefits of competitive advantage. (Porter, 1985) came up with the term competitive advantage when discussing the basic types of competitive strategies that
organization can pose so as to achieve competitive advantage. He maintained that it was possible to maintain strategic competitive advantage through low cost and differentiation approaches. Michael Porter (1996 describes strategy as a series of coming up with a unique and valuable stand for a firm using set of activities through well-defined objectives. Measurement of competitive advantage helps determine whether an organization makes profits, achieves higher profit margin, greater return on assets, successfully compete in the market. (Awino, ZB. 2013) states that there are many ways to gain advantage, but only two basic that is the cost advantage and the differentiation advantage. Further stated that an organization that is able to gain superiority in differentiation or cost advantage is capable of offering clients with products and services at lower costs or with level of differentiation and most importantly, is capable to compete with its rivals.

1.1.3 Banking Industry in Kenya

In Kenya, the banking industry consists of micro finance institutions, Foreign exchange bureau, commercial banks, credit reference bureau and money remittance providers. The Kenya banking sector is regulated and controlled by the Banking Act, Companies Act and Central of Kenya Act. Currently, the Kenyan banking sector comprises of 96 foreign exchange bureaus, 15 micro finance banks, 44 commercial banks and 2 credit reference bureaus.

The Kenyan banking sector has of late been immensely affected by the business environmental changes. Globalization, technological innovations, Privatization, acceleration and implementation of economic reforms, privatization and commercialization of the public sector, increased customer demands, increased
competition, price decontrols and liberalization of both domestic and foreign markets has forced banks to adjust their strategies to survive (Aosa E, 2013).

Besides the environmental changes, there has been a rapid increase in banks in Kenya which has led to increase in the variety of services and banking products targeting various clientele. (Ogutu M, 2013) Reiterated that the Kenyan banking system is characterized by stiff competition for customers which has led to increased innovation of services and products so as to gain and retain market share. Competition within the banking sector has been very stiff characterized by the high number of new entrants into the industry which has made Central Bank of Kenya encouraging non-financial institutions to convert to commercial banks and many companies entering the banking industry. Other services like the Safaricom mobile money transfer service popularly known as Mpesa has affected the banking industry.

This has led to creativity and innovation so as to maintain a competitive edge above other banks. All in all, there has a challenge of replication of products and services among the rival banks with the only differentiation being the bank charges and quality service to customers. Banks have also changed their focus in banking industry by managing customer savings to managing financial requirements and needs of their customers, while at the same time shifting the traditional banking focus to the modern totality of the clientele financial requirements (Banking Survey, 2002). Banking industry in Kenya have also invested heavily in information communication technology. Nearly all banks are dependent on technology.
1.1.4 ABC Bank

African Banking Corporation Limited is an ancient bank which was established in 1984. ABC Bank has been licensed by Central Bank of Kenya (CBK). ABC was started in the year 1981, as a financial institution named Consolidated Finance Company limited. In the year 1995, after the gazettement of a legislation allowing financial institutions to convert into banks, it was converted into African Banking Corporation Limited (ABC Bank) but previously the bank had been started in the year 1981 as a financial institution named Consolidated Finance Company limited. It has since been using the power of finance to support small enterprises and businesses and projects that benefits the people. ABC provides financial support to corporations, medium sized businesses, Savings and credit facilities, individual as well as small business enterprises.

ABC Bank serves the holding company of the group’s subsidiaries having established a presence in three East African countries i.e. Kenya, Uganda, Tanzania and also contemplating on opening a branch in Pakistan in the course of the year 2017. ABC Bank has its head office at ABC Bank house in Westlands along Woodlave Grove. ABC Bank is a medium sized Bank with its subsidiaries as; Westlands Branch, Koinange Street Branch, Libra House Branch, Industrial Area Branch, Thika Road Mall Branch, Kisumu Branch, Green House Mall Branch, Lamu Branch, Nakuru Branch, Mombasa Branch, Eldoret Branch and Meru Branch. ABC Bank Uganda was founded in 1992 as a capital Finance Corporation Limited (CFCL) A Tier III Ugandan Financial Institution, under the license and supervision of the bank of Uganda. ABC Bank Ugandan has five main branches. As at July, 2016, the bank’s total assets were valued at UGX: 49.6 Billion
equivalent to Kshs. 1,425,254,065/= with shareholders’ equity of about UGX:28.61 equivalent to Kshs. 822,107,234/=  

1.2 Research Problem

Strategic management practices are paramount in an organization because as strategy formulation activities enhance the organization’s ability to evade problems and help in monitoring and forecasting responsibilities. Every organization in any sector have to fit in their industry environment and have to make that they adopt strategic management practices that help these organizations remain competitive and have to come up with strategies that help gain competitive advantage over their competitors. Competitive strategies help come up with a framework for firms that responds to various changes within the firm. Firms also come up with strategic management practices that help develop competitive strategies that enable them to come up with strategic initiatives and maintain share in the market (Niraj Dawar, 190)  

Strategic management practices points out to the perpetual process of re-aligning the firm’s capabilities, structure, practices and the direction to take to the constantly fluctuating requirements of the internal and external clientele. (Davis and Holland, 2002) (Mitchell, McKenna & Young, 2007) explains the primary variables that indicate successful management that help gain competitive advantage, that is, cost efficiency and the extent to which the desired outcomes are achieved.

The researcher looked into how ABC bank can train employees on how to deal with pressures of competition, globalization, changes in technology, climate change and constant change in consumer tastes and preferences to survive. Organizations are there to exist and remain successful and hence the need to have a long term sustainable
competitive advantage (Sacheva, 2009) and several authors have come up with the study of sources and types of strategies that are capable of attaining competitive advantage. The researcher found out that ABC has created and implemented a strategy that is not simultaneously being implemented by potential or current competitors. The researcher also looked into low cost and differentiation as strategic competitive advantage strategies putting emphasis on skills and resources as key elements to help ABC bank remain competitive. Strategic management practice refers to the process or steps that are applied so as to manage the firm’s performance and ensure competitive (Michael Porter (1998)).

These practices are the situation analysis of organization, formulating winning strategies, implementing and evaluating them. Internal situation analysis of the firm is the first step and should be carried out to assess and determine the strengths and weaknesses of the internal environment. Many organizations are influenced by major changes in their environment. In light of environmental changes, strategic change management practices is perceived to be strategic management tools that top management are likely to pursue in order to manage environmental changes and complexities. The researcher recommended on developing modernized banking system. There are five strategic factors common to all the three core banking systems implementation phases. The researcher emphasized on pre-implementation, setting project objectives and expectations as they are the most strategic factors. In relation to the implementation phase, the researcher advised on vendor support and commitment and in relation to the post-implementation phase, check on excellent issue resolving mechanisms as identified being the strategic factor.
The researcher also considered and insisted the impact of functionality, flexibility, cost, viability, operational performance and program management on the core banking systems decisions (Passemard and Kleiner, 2000). The banking industry in Kenya has experienced tremendous growth over the past few years. The banks have employed different strategies which have yielded different performance results. There various strategies that banks adopt which include; mergers and acquisitions, regional expansion, branding, restructuring, divestitures and marketing. With the different results, one would wonder just what are the best strategic management practices a bank can adopt so as to achieve sustainable competitive advantage?

1.3 Research Objective

The research objective the study addresses is:-

To determine the strategic management practices adopted by ABC Bank to gain competitive advantage.

1.4 Value of the Study

The study will help the researcher in identifying areas of policy gaps that require improvement in the banking industry. This will help to improve policies that will encourage growth of the bank hence increased employment, economic growth, market competitiveness and technological innovativeness. The researcher intends will come up with strategies that will enhance management and the general performance of the bank, accurate communication and implementation of plans. The study will serve as a source of information to the public who would like to know more about the ABC bank. The study will adequately assistin preparing how to counter the challenges so that they can be able
to succeed in strategic management practices and also formulating sound policies and strategies to manage trends in the changing environment that can provide numerous opportunities or prove to be catastrophic to organizations in the economic system.

The researcher will establish the contribution of strategic management practices into theory and practice. The researcher will compare theory and practice to total quality management (TQM) theory, Total quality control, organizational effectiveness, industrial management, strategic planning, and leadership and performance standards as applied in ABC bank. Strategic management practice helps understand and incorporate management theory into total quality. The business environment in which firms thrive constantly changes making previous strategies irrelevant (Ofunya, 2013). Strategic management focuses on the issue of why some firms succeed while others stall (Melchorita, 2013), and it highlights the causes for an organization’s success or failure (Porter, 2001). Many researches have been conducted locally and globally on the consequences and influence of strategic management practices on organizational performance. Thus, this study aimed at establishing how strategic management practices have influenced the ABC Bank performance.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the relevant literature that was used in the study. The chapter summarizes and highlights the empirical, conceptual and theoretical study which the researcher carries out. This chapter also provides a documented review of scholarly work relevant to the firm. The literature also captures the related studies conducted in other areas and their findings and arguments. It also presents an empirical review and the conceptual framework of the study.

2.2 Theoretical Underlying of the study.

Strategic management practices are tools, processes or techniques that are used by firms or organizations to align employees to the business set objectives and achieve the required business outcomes as well ensuring the business work efficiently. Strategic management practices can also be referred as tools, processes or techniques or mechanisms that help a firm manage and improve organizational performance. The researcher will look into practices such as strategic product pricing, technology adoption, cost control, market strategy, product reputation, customer service, product quality and product innovation that help ABC Bank gain competitive advantage. The two theories that anchor the study are the Resource based theory which looks at the resources as key support for an organization’s performance while McKinsey 7-s model looks at the seven internal aspects of a firm that ought to be aligned so as to achieve a firm’s success. These elements are structure, strategy, systems, shared values, skills, style and staff.
2.2.1 Resource based Theory

With the Resource based Theory, is model that looks at the resources as the main pillar to an organization’s performance and that helps achieve its competitive advantage (Ndemo E.B, 2007). Resource Based View encourages organizations to identify and develop resources that give them an edge over their competitors. The resources that have been identified and developed can only achieve a competitive advantage if they have value and cannot be imitated by the competitor. The theory postulates that a firm’s ability to enjoy a position of advantage solely relies on the resources it possesses which may be human, financial, technological or physical (David, 1997). It is the efficient utilization of these resources that gives an organization the power to defeat its competition and therefore theorists who support this view encourage the firm to keep improving their resources in order to stay ahead of competition.

Grant (2005) supported this argument by adding that the resources and capabilities of an organization to form the first basis of the firm’s profitability, that is, before an organization looks at other avenues, it must first work with the resources it owns. Resource based approach was initially tackled by Wernerfelt (1984) to bring in the notion that strategy in any organization is about how resources held. The organization’s ability is determined by assets, people and processes that the organization uses to transform inputs to outputs. Resource Based View is inimitable as it is in the form of physical uniqueness like patent rights, location, skills that are unique and achieved through learning over time and refined by practice. Competitive superiority requires that the firm’s resources should be assessed and evaluated relative to those of competitors. Resource based approach
advocates for sufficient resources in order to achieve competitive advantage over a competitor.

An organization’s capabilities and resources form unique competencies. These competencies help achieve customer responsiveness, efficiency, innovation and quality and they realize a cost advantage (Porter, 1998). In order for a firm to achieve competitive advantage, it has to utilize resources and capabilities to arrive at a lower cost structure or cost differentiation. An organization can comfortably position itself through its choice of low cost or differentiation which is the firm’s pillar of competitive advantage. Firms that are in a position to accumulate resources and capabilities which are infrequent, precious and unchangeable and not easy to imitate will be able to achieve competitive advantage over rival firm.

2.2.2 McKinsey 7-S Model

McKinsey 7-S framework is one that has persistently remained relevant for long having been developed in early 1980s by (Tom Peters and Robert Waterman), the two consultants working at McKnsely and company consulting firm. In this model, there are seven internal aspects of a firm that need to be well arranged so as to achieve a firm’s success. This model helps an organization in; improving the performance of a company, examine the likely effects of future changes within an organization, re-arrange processes and departments during the merger or acquisition and find out how best to implement a proposed strategy.
The McKinsey 7-S model involves seven mutually dependent factors which are categorized into soft and hard elements. The soft elements are grouped into staff, shared values, skills and style while the hard elements are grouped into systems, strategy and structure. However, these soft elements are paramount as the hard elements if the organization is going to be successful. Looking at the McKinsey seven elements specifically; Strategy: the plan used to build and maintain competitive advantage over the competition, Structure: the way the organization is framed and who reports to whom, Systems: the daily activities and processes that staff members engage in order to get the job done, Style: the style of leadership adopted, Staff: the employees and their general capabilities and strengths, Shared Values: these are the core values of the company that are captured in the corporate culture and work ethics in general, and Skill: this is the expertise of the employees working in the company.

Putting shared values at the Centre of the model underlines the fact that these values are key to the development in all other critical elements. The organization’s systems, skills, staff, style, structure and strategy all stem from why the organization was initially formed, and what it stands for. The model is based on the theory that, for effective and efficient organization, the seven elements must be incorporated accordingly.
2.3 Types of Strategic Management Practices

Most organizational managers today would attest to the idea that change now has become like a constant issue which people must attend to and also be managed well for the organization’s survival (Li, 2005). This is due to changes such as in technology, the political, social values, the marketplace, workforce demographics, information systems and the global economy environment with a significant impact on the services, products and processes produced.

Strategic change management practice is defined as a part of managerial actions and decisions undertaken for a company to cope with the changes in the environmental aspects like evaluation and control, strategy implementation, environmental scanning and strategy formulation (Hill & Jones, 2001). Hill and Jones (2001) further suggest that strategic change management practice are designed to outline a firm’s action, identify the strategies to use to compete well in the market and how it can organize
Innovation is also a strategic change management practice that is adopted by firms to survive. According to Chapman (2005), business firms need to be innovative as a strategy to ensure their existence since innovations involve ideas that create the future. Chapman (2005) further suggests that the quest for the innovations is somewhat doomed unless the managing team who seek it took time to clearly learn from past. Staff training is also a change management practice that is adopted by many firms.

Organizations should have a continuous training on the change and equipping staff with the necessary skills to effectively carry out the new ways, documentation of the change to provide a point of reference and uniformity in interpretation and risk assessment in the organization (Musau, 2012). Musau (2012) further asserts that training equips management to have the specific competencies necessary to manage the change; staff training contributes to increased group and individual motivation; it promotes communication between peers; facilitates the change and eliminates confusion on the change since one well understands what is expected of them and sustains staff retention. Musau (2012) also suggests communication as a change management practice that organizations should adopt. The minor changes adopted by companies may lead to huge organizational success, making it necessary for managers to ensure that their decisions are based on accurate information. According to Mbwaya (2012) strategic management approach is not uniform but keeps changing with time.

Rezvani, Dehkordi and Shamsollahi (2012) lists challenges to strategic management as firm poor management and culture, high technology installation, strong competition, firm structure, labor political and employees’ issues. Culture presents a strong upshot on
organization’s strategy as well as in managers’ decision making. New technology costs and high changing rate may be a challenge to the organization which doesn’t have resources for research and investment. Strong competition calls for a firm to develop competitive strategies to survive in the market. The organization should do research and monitor the organization environment which will make them understand the competitors, customers and the risk involved in operating in the market they are.

Strategic management practices are tools, processes or techniques that are used by firms or organizations to align employees to the business set objectives and achieve the required business outcomes as well ensuring the business work efficiently. Strategic management practices can also be referred as tools, processes or techniques or mechanisms that help a firm manage and improve organizational performance. The researcher will look practices such as strategic product pricing, technology adoption, cost control, market strategy, product reputation, customer service, product quality and product innovation that help ABC Bank gain competitive advantage.

Strategic change management practice is described by Hill & Jones (2001) as activities and decisions adopted by an institution to help it operate efficiently in the event that changes that occur in the business setup. Examples of the strategic decisions and activities include environmental scanning, strategy implementation, strategy formulation, control and evaluation to succeed, managers need to choose different approaches or practices of managing change according to the circumstances they face and also create an organizational context that will facilitate change.
2.4 Indicators of Competitive Advantage

Competitive advantage is a refers to the advantage an organization possesses over its competitors hence generating greater sales or margins and is able to retain more customers than its competitor (Andrews, 1980). Any organization is said to have a competitive advantage when it has an edge as compared to its competitors apportioning itself good clientele and defending against competitive forces in the industry. Porter, (1980) developed four generic strategies that can be viable in the long term business environment. They are cost focus, differentiation strategy and cost leadership strategy. Competitive strategy considers the three as the main approaches which the firm can pursue so as sail through in each of its strategic business areas. According to Bharathwaj et al (1993), competitive advantage can be achieved from the resources that an organization has over its competitors. The ability to adopt a cost leadership, differentiation, or focus strategy is dependent on a firm’s ability to develop a specific set of competitive methods that are sustainable.

Strategic management focuses on increasing an organization’s ability to change and adopt the new ways of performing business. The main purpose of managing practices in strategic management is to increase the speed by which people undergo successfully through this changing process so as to achieve the anticipated benefits faster. Additional advantages to the change management include improved organizational outcomes and performance, enhanced employee morale, satisfaction and engagement in work and the improvement of overall service quality within the organization.
In order to achieve sustainable competitive advantage, there are core competencies which generate long term benefits to the company and should be adopted. Prahalad and Hamel (1990) define a core competence as the specific expertise that emanates from aptly organizing complex streams of work activity and technology. Competition exerts pressure on a firm to be proactive and formulate winning strategies to respond to the competitive business environment in order to gain competitive advantage (Awuah, 2011). Competitive strategy aims at achieving competitive advantage through distinct competition and coming up with a profitable channel against competitors. Competitive advantage therefore enables an enterprise to create superior value for customers and itself (Porter, 1985).

2.5 Empirical review

Strategic management practices refers to the adoption of systematic methods to ensure that organizational objectives are conducted in a cost effective manner, guided in the planned direction and same is achieved within set time frames. Prof Bitange Ndemo (2001) sought to know the growth determinants of micro and small manufacturing enterprises in Kenya. In relation to this study, Prof. Bitange Ndemo (2001) found out that enterprises undertook changes to information technology, strategic direction, performance management and product changes. The study did not focus on the relationship between strategic management and performance.

Mwangi(2013) in his study at National bank of Kenya found out that strategic management practices ensures effective management in the firm and enhances creation of awareness by establishing an informal network to get information. Also facilitates change
initiatives, helps solidify processes, analytical skills and enhances on commitment and interests and ensure significant changes are implemented. He also found out that it is paramount to recruit qualified staff to help in effectiveness management and manufacture products that are needed in the market, acquisitions, business reengineering and downsizing that lower the cost as well as programs that deliver expected outcome.

Namuteche (2005) undertook a study that focused on Strategic management practices in commercial banks. The study came into conclusion that banks adopted strategic management policy and that the policy clearly stipulated that banks were bound to embrace strategic management practices in order to; achieve improved performance, improved decision making, improved communications and better resource allocation. This study however did not endeavour to relate the strategic management practices to the performance of the commercial banks. In Kenya business institutions are faced with major challenges that include: corruption, high competition, low practical skills, high crime level, high tax rates, policy uncertainty, macroeconomic instability, custom operations, poor transport, inadequate and inhibitive laws and delays in licensing among others (World Bank, 2005). These challenges mean that commercial banks have to constantly deal with the constraints.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the procedure, methods and techniques which were used in the collection, processing and data analyzing. Specifically, the following subsections were covered in this chapter: research design, collection and data analysis methods.

3.2 Research Design

The researcher conducted a research in ABC Bank limited as a case study in investigating the strategic management practices adopted to gain competitive advantage. Kothari (2004) defined a research design as a blueprint for collection, measurement and analysis of data. The researcher carried out a qualitative study and established management strategies adopted by ABC to gain competitive advantage. This approach helped researcher as it contributes to the wide of knowledge of individual, group, organization, social and phenomena.

Mugenda (2008) explains how a case study attempts to thoroughly investigate the concept at hand. In this case therefore, the researcher intends to thoroughly find out on strategic management strategies employed by ABC bank. The case study method enabled the researcher to have a good capture of the phenomenon at hand as it is useful in describing the characteristics of a large population.
3.3 Data Collection

The researcher used primary data sources and focused on interviews, observations, and use of interview guides as methods for data collection. The researcher preferred interviews as it gives room for deep interaction with the respondents. It entails developing a set of questions covering issues on management strategies employed by the Bank and the competitive advantage gained from such strategies.

3.4 Data Analysis

After data collection, the researcher then processes and analyzes with an aim of interpreting the findings. The Data processing stage will involve the coding, editing, classifying data and data entry (Manoj, 2006). Almost every data gathered in this study will be qualitative in nature and shall be analyzed across the content analysis method.

According to Mugenda (1999), content analysis method is the systemic qualitative description of the composition of the objects or materials of the study. It entails observation and detailed description of objects that comprise the study. This technique will be used as it form the best approach for analyzing data in a case study and enables the researcher to achieve the objectives of the study. This technique enriches the research content as it does not limit the responders from giving diverse views that brings out a different angle to the research.
CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter covers data analysis, findings and discussions on data gathered from the field. The collected data was analyzed and interpreted in accordance with the objective of establishing strategic management practices adopted by the ABC Bank to gain competitive advantage. The respondents were middle level managers and senior managers of ABC Bank.

4.2 Background Information

African Banking Corporation Limited is an ancient bank which was established in 1984. ABC Bank has been licensed by Central Bank of Kenya (CBK). ABC was started in the year 1981, as a financial institution named Consolidated Finance Company limited. In the year 1995 it was converted into African Banking Corporation Limited(ABC Bank) following the gazettement of a legislation allowing financial institutions to convert into banks, but previously the bank had been started in the year 1981 as a financial institution named Consolidated Finance Company limited.ABC Bank serves the holding company of the group’s subsidiaries having established a presence in three East African countries i.e. Kenya, Uganda, Tanzania and also contemplating on opening a branch in Pakistan in the course of the year 2017.
ABC Bank has its head office at ABC Bank house in Westlands along Woodlave Grove. ABC Bank is a medium sized Bank with its subsidiaries as; Westlands Branch, Koinange Street Branch, Libra House Branch, Industrial Area Branch, Thika Road Mall Branch, Kisumu Branch, Green House Mall Branch, Lamu Branch, Nakuru Branch, Mombasa Branch, Eldoret Branch and Meru Branch. ABC Bank Uganda was founded in 1992 as a capital Finance Corporation Limited (CFCL) A Tier III Ugandan Financial Institution, under the licence and supervision of the bank of Uganda. ABC Bank Ugandan has five main branches. As at July, 2016, the bank’s total assets were valued at UGX: 49.6 Billion equivalent to Kshs. 1,425,254,065/= with shareholders’ equity of about UGX:28.61 equivalent to Kshs. 822,107,234/=.

4.2.1 Strategic Direction of ABC Bank

In providing feedback on whether the bank has a formal documented mission and vision statements, respondents shared the ABC Bank Mission statement and Vision Statement, and the ABC Values that form the basis of ABC culture. The Vision of ABC Bank is ‘Empowering you to achieve the extraordinary’ This Vision has been communicated and shared widely in the bank. In response as to whether this is reviewed, it was noted that the Vision continues to guide ABC and the Board, Management and staff remain fully committed to strive towards achieving the Vision. The Management however identified some key areas of improvement required in fulfilling its vision; improvement in Customer Service, improvement in cost efficiency through exploitation of technology and improved processes, Improvement in the Run rate which is slightly behind budget and improvement on staff productivity.
The Mission of ABC Group is ‘To enhance and nurture long lasting cordial relationships with each and every stakeholder through innovative, well accounted financial solutions and services that help gain the desired goals. This mission sets out what, where and how of ABC. As to whether the mission is reviewed, respondents cited that this mission remains relevant as the purpose of ABC. Walking with their customers, ABC is committed to making a difference through partnership and shared success through matching local know how and global thinking. It was revealed that ABC measures its success when banking improves lives as its purpose is to enable a brighter future together with its customers.

In response to what values ABC has, the following values were shared with the researcher; Professionalism –Quality service and high level of integrity to customers is exhibited at ABC to retain customers and maintain competitive advantage. We are objective and focused on issues, Teamwork - ABC boasts on cohesion for a greater tomorrow, Excellence - ABC believes in dedication and providence of quality products and services and Commitment– ABC is deeply devoted to customers, to each other and to the society they serve.

Team work – ABC pride itself in consistent and persistent provision of excellent products and services and Customer centricity - ABC endeavors to be a friendly, flexible, understanding and a reliable bank in fulfilling customer needs. ABC realizes that regardless of time, creating customer value and putting customer first generates lasting business value. The respondents also shared that these Values are regarded strongly as beliefs and convictions which substantially drive the behavior of staff in ABC and forms the basis of its culture. These have also been communicated and shared widely with the
staff. The next question on how often the Mission and Vision is reviewed, it was revealed that the Mission and Vision does not change and what changes is the strategy for the bank. The Vision and Mission remains relevant and does not change, however the bank has a five year plan strategy, 2016 to 2020 which is currently being used and is normally reviewed every five years.

Feedback on who is responsible in the formulation of strategies at ABC, respondents reported that ABC has a three phased strategy approach. In the first approach, the exercise is carried out by the Board in formulating the ABC Corporate and Business Strategy. This strategy shows how ABC will strengthen its competitive advantage and actions to build competitive capabilities. In the second approach, the exercise is carried out by Divisional Directors to formulate Functional Area Strategies with each division. This approach adds relevant detail on the how of the overall ABC strategy and provides a game plan for management of activities to support the business. Finally, in the third approach, the exercise is carried out by the heads and managers within each division. This covers operating strategies within each division.

In response to the strategic planning process ABC undertakes in the formulation of its strategy, it was revealed that ABC Strategy is a derived an initiatives covering Customer, Risk intelligence, Finance, People, Technology and Processes, Regional growth and Social relevance. The 2016 - 2020 Strategy paper was developed on the back drop of a very competitive market with all banks changing their focus and adopting a customer first approach.
On the question of what External factors influence the formulation of strategy, some respondents said that the following factors are considered as strategically relevant components of the ABC’s External Environment; General economic conditions, technology, changes in legislation and regulation, population demographics and societal values and lifestyle. Other respondents mentioned that other forces that affect ABC include: Changes in the banking long-term growth rate, Increasing globalization, Emerging new internet and mobile capabilities and applications, Changing consumer behavior, Innovation and threat of product substitutes like MPESA and Airtel Money, New entrants like Ecobank and Mayfair bank and rival firms like Equity Bank, finding new opportunities for revenue growth, changes in cost and efficiency and managing business uncertainty and business risk. It was established that in the years 2013, 2014, 2015, and 2016 ABC realized profits as 442,163,000/=, 269,347,000/=, 289,919,000/= and 195,445,000/= respectively. Considering the environment under which ABC operates, there is need to respond to the environment in order to remain competitive in offering its banking services. The responses on who ABC’s competitors are revealed that there is stiff competition from other banks, competition from microfinance organizations, mobile banking and SACCOs.

The researcher wanted to know what are the guiding principles and strategic focus for ABC while formulating strategy in such a competitive environment. According to respondents, ABC’s strategy is underpinned on various guiding principles that inform the Bank’s endeavors to meet its strategic objectives as embodied in the Vision statement, these principles were revealed as: Increasing shareholder value that continues to be the overarching objective of the Bank's operations, with new focus on investor relations,
championing a customer centric culture and enhancing human resources capacity and culture to position the bank for future growth, focus on core activity of providing banking services and solutions to customers, taking innovation at the center of all banking delivery mechanisms to ensure efficiency and a high level of productivity and continuity of living the ABC values.

Feedback on the objective of the ABC Strategic Plan reveals that it is meant to drive efficiency across the Group with a view of maximizing returns. This is achieved through initiatives to manage the cost base and bring them down to the industry norms while at the same timesweating the balance sheet and the infrastructure to draw maximum revenues there from. As such initiatives around cross-selling ABC products and services and expanding the suite of services is implemented. These initiatives help drive profitability, earnings per share, dividend per share as well as returns on equity and assets.

4.3 Strategic management practices by ABC bank to gain Competitive Advantage

4.3.1 Introduction

This study sought to establish strategic management practices adopted by ABC to gain competitive advantage. The study reveals a number of strategic management practices used by KCB to gain competitive advantage. According to respondents, they are good corporate governance, risk management, new products and service, brand and marketing, sales and channels, Customer-centric operations, excellent customer services and experience, employee.
4.3.2 Employee Training and Development

To successfully implement its strategy, respondents cited that ABC Bank empowers its employees to enable them to support its purpose. For the previous five years, ABC has implemented a staff transformation programme. Besides, every year, ABC engages external HR consultants from three different firms to conduct an online survey to all staff to get feedback on gratification and performance. These consultancy firms are; Talent management limited, Sheer Logic management limited and Personnel management Limited. ABC also conducts training and development for all staff in the bank. It’s usually have one year plan for training and development for all staff in the bank and always prepared the last quarter of the preceding year.

Respondents mentioned that ABC recognizes that it requires engaged and skilled employees to enable it gain competitive advantage in the market through delivering outstanding customer service. In accomplishment, ABC commenced a development programme with an aim of positioning employees with ABC’s main objective of making customer's work easy and enabling them progress. ABC organizes seminars and trains its resource people on the new markets, marketing of their products and services which helps the bank to compete well in the banking industry. This is an indication that ABC has invested in creating conducive environment which enables their resource people to get more skills and knowledge, therefore increasing its chances of gaining more returns in the competitive markets as its employee learn new ideas and new way of running businesses.

4.3.3 Good Corporate Governance

Respondents reiterated that the management and the board work together and conforms to the bank’s strategy. It calls for good governance from these offices to achieve
organizations’ objectives and ensure strategy implementation. It is then with strong and determined team that the bank is in a position to achieve its goals.

The Board from time to time reviews the bank’s corporate governance and aligns itself to fit international standards. During 2015 the Group Board: Conducted a corporate governance survey in the entire bank to measure the presence and performance of its governance (to conform to the Finance Act, 2014. On the 4th of November, 2016, ABC bank was recognized for implementing and complying with high standards for good corporate governance. This award reaffirms ABC devotion to accountability, integrity, and transparency by safeguarding shareholders’ interests and adopting efficient practices in provision of quality services and products.

In the year 2016, ABC bank feted in champions of governance awards and once again shone at the awards held at the Intercontinental Hotel Nairobi. The bank was awarded 2nd runners up in the financial and investments category in the edition organized by the Institute of Certified Public secretaries of Kenya, ICPSK. ABC was noted for its implementation and complying with the national standards of good governance. The bank also shined in the investments and innovations made and processes and procedures that support good governance in its external and internal operations and the cordial relationship with clients, the regulator and stakeholders.

4.3.4 Customer-Centric Operations

Respondents quoted that ABC focuses on operations that is robust, simple and customer-centric. It is obligated to coming up with a customer-centric culture and aligning itself as
an icon in service delivery. Precisely ABC recognizes its customers and emphasizes on listening attentively and delivering the best.

On the 27th of June, 2017 ABC bank in Kisumu hosted an Iftar for Muslims living and working in Kisumu as faithfuls around celebrated the holy month of Ramadhan. This is one of the many approaches that the bank adopts to express loyalty to its customers. This enhances customer bank relationship and improves on productivity.

Besides customer focus, ABC also ensures that customers reliably get quality products and services even with change in technology without necessarily incurring extra costs. The introduction of better systems and automation of services has led to effective and efficient operations and consequently ABC is comfortably provides similar products and services to customers at reduced prices than its competitors. This demonstrates that ABC adopts the cost leadership strategy.

Respondents mentioned that ABC established a Customer Experience Division in 2011 which geared to its commitment to customer-centric approach. It incorporates two major arms: contact experience and service experience compliance. ABC’s pride is to make every customer contact satisfied with motivation of reaching out on others. ABC encourages its staff to understand customers and deliver to the maximum with specific touch points. The touch points include the Head Office, Contact Centre, ATMs, Mashinani agents, branches, ebanking, social media and website.

4.3.5 Technology and Systems

Respondents confirmed that ABC systems are always reliable, secure and active. The systems have been developed in such a way that they allow room for expansion and allow
employees to work comfortably and to the satisfaction of customers. ABC has used technology to design different technological products for different segment market as mentioned below by the respondents. On the 1st of August, 2017, ABC bank introduced the anti-money laundering software which is fully automated and it’s a robust application that detects prevents risks associated with criminal financial dealings by preventing and blocking suspicious transactions on a real time basis.

Respondents also mentioned that the bank has introduced a new CRM system that assists with gathering information on customers. The customer is empowered with choice. CRM is usually customers to maintain financial services relationships. Performance is accelerated by appropriate and accessible information that can be apply acted upon from systems that provide quick service to customers. This has not only helped in Know Your Customer (KYC) concept as part of regulatory requirements, real time problem resolution but also proactive problem resolution rather than reactive. The bank intends to come up with an electronic queuing management system (eQMS) which is aimed at reducing queuing time of its customers awaiting to be served for any kind of transactions be it withdrawals, deposits or foreign exchange.

4.3.6 Risk Management

Respondents mentioned that risk management of is the key responsibility of the governance structures at the Bank and is used to gain competitive advantage. During 2015, the bank undertook the introduction of risk modeling, and used data collected to predict need, provided for customer feedback, both being means for risk management. This helps counter fraud and ensures speedy application of credit facilities while it provides important business information. Respondents confirmed that ABC has built its
own proprietary, customized risk model for its specific business needs. ABC bank has lead initiatives for development of methodologies for measurement of credit portfolio management across the group and associated models processes along with head of regulatory risk. This help to develop and enhance the credit reporting & monitoring framework which meets the requirements of various external & internal stakeholders. Also ensures timely and accurate delivery of credit risk reports, interpret the information and suggest actions for consideration by senior management, assist the head of risk management officer in carrying out the responsibilities pertaining to board risk committee which includes preparation of the information pack and responding to data, analytical requests from the committee. Also assists the head of risk management officer in evaluation and enhancement and review of group credit policies & standards to as to push for control and regulation of risk assets of the group as directed by the board. Helps provide requirements and design inputs, particularly with regard to credit risk recognition, measurement and its reporting as part of the core team for implementation of key credit risk giving ABC a competitive advantage against its peers.

4.3.7 Invention and Innovation

ABC has embraced invention and innovation approach and has consistently positioned itself as a bank that adopts and introduces new products and services, technologies and processes. In 2014, ABC introduced the ABC Diaspora current account which already has a strong presence in Middle East Diaspora. The focus going forward for ABC Bank in reaching the Diaspora based in the US, UK and Africa by providing affordable money transfer solution. Respondents confirmed that the bank has several innovations and inventions the bank has employed for the last 10 years which includes:- Customer
centricity- this being a relationship bank, the bank has invented a more customer centric approach to their customers. This is where the bank has more personalized and impeccable service to its customers. Robust core banking system and other related system. The bank has come up with Internet and mobile banking services to its customers. This is where the bank can access bank services at their convenience. Customer focused products; these are products which meet customer expectations. Staff retention programme, this is to retain staff and ensure staff satisfaction

Features and benefits of ABC global current account includes:- Opening and minimum balance of Kshs 5,000 and no Ledger fees, no limit on deposits, a charge of Kshs 300 monthly for balances below Kshs 5,000, issue of a Kenya Shilling or US Dollar Direct debit MasterCard that can be used worldwide; cheque book available upon request, secure and reliable Internet Banking that allows you to carry out RTGS, EFTs, SWIFTS, Standing Order Instructions and other bank requests giving you safe, and secure access to your money whenever you need it, competitive interest rates that accrue on a monthly basis and are credited to your account every six months; minimum balance to earn interest Kshs 10,000, account available in USD, GBP, EURO and S.A Rand, customer determines the interest to be earned depending on their deposits. The higher one saves, the higher one earns, sweep facility allows convenience to the customer by giving access to higher interest rates, payment of various commitments via Internet Banking and Cheque, free investment advice through our partner group of companies - ABC Capital, insurance services through our partner group of companies - ABC Insurance, ability to apply for Personal loans, Mortgages and Construction loans
Respondents mentioned that for ABC to ensure sustainable innovation it recognizes that it needs to innovate to remain competitive and it is aware of the fact that the staff skill sets and systems cope with the changing innovation.

4.3.8 Brand, Marketing and Sales Channels

Respondents revealed that ABC has consistently strived to be an astounding bank that is competent and appealing. ABC shows its commitment to their customers by offering quality products and services. ABC engages marketing, distribution and finance teams whereby it evaluates the costs and impact and aligns the sales channel plan with a channel marketing structure. Respondents reiterated that one of the most critical ingredients in a successful channel sales program is how well sales plan with the marketing organization. Respondents confirmed that they embrace customer needs focus and when that is put in place, energy, creativity and solutions happen faster and more often than not results in closing more sales. ABC also participates in sporting events and related activities which have greatly enhanced ABC brand and increasing customers.

ABC sales channels are quick, accessible and convenient for its customers. ABC understands its customers and provides solutions proportionately. As a result it has perpetually invested in many areas. Today one can get ABC bank services through ATMs, Mobile phones, ABC agents, Internet and branches. It is ABC priority to ensure that these services are readily reliable and easily accessible especially with the younger generation who use these channels to engage with the Bank. Not surprisingly therefore, that most respondents mentioned that the highest numbers of transactions are conducted via mobile banking, POS, EMO society and agency banking, followed by internet banking, branch tellers and ATMs.
4.3.9 New Products and Services

Responses revealed that ABC has simple, relevant and modern products for their customers. ABC endeavors to offer quality products that are easy to use, relevant and fresh. As a result, it has segmented its market and has different products for different segments. This reveals that ABC has adopted market segmentation with product differentiation strategy for different segments.

Respondents mentioned that ABC has over 70 products today that are designed to ensure adaptability in many areas such as technology. ABC products areas uniquely featured and are appealing and easy to use. With the focus on promoting financial inclusion and maintaining the broad view of the market, ABC introduced new services such as M-Akiba Islamic Banking, the ABC Insurance Agency, ABC Capital and Mpesa in 2013. Respondents also mentioned that ABC was among the first banks that introduced Islamic banking following the approval from the CBK. Even though there is tough competition from new multinationals, ABC have positioned itself to leverage on the regional penetration quickly and effectively hence gaining competitive advantage.

4.4 Discussion

4.4.1 Comparison with Theory

To attain a competitive position in a competitive environment, Porter, (1980), advocated three generic competitive strategies namely cost leadership, differentiation and focus. The study sought to find out whether these strategic management practices are adopted by ABC to gain competitive advantage. The study confirms that ABC adopts competitive
strategies in form of cost leadership, differentiation and focus strategies to attract and retain its customers.

ABC has positioned itself in a category of low producer. A low cost producer positions himself strategically and must find and utilizes all sources of cost advantage. ABC has managed to be one of the best performing banks in Kenya by adopting cost leadership. ABC ensures that products and technology go hand in hand and also provides reliable and quality products and service without incurring extra costs. ABC’s initiative of automation of services has led to efficiency and effectiveness in operations consequently offering same products and services to customers at relatively low costs than competitors. This demonstrates that ABC has adopted the cost leadership strategy.

In the differentiation strategy, aims to develop and market unique products for various customer segments mostly where a firm has good competitive advantages. A firm endeavors to be unique in different ways. Differentiation is all about gaining competitive advantage through identifying product or service attributes that clients consider as valuable. ABC has over 70 products that are uniquely designed and possesses qualities of simplicity and appealing.

The most important thing in strategy focus is to identify on narrow competitive scope in a firm, then focus on a smaller segment. The differentiation focus addresses the special needs of buyers segmentally. (Porter, 1985). ABC has unique products for different target segments such compliant products and services to address specific customer needs and improve financial inclusion of Islam, ABC Capital to address investment needs, Small and medium size enterprises (SMEs), Taiseer account, Uwezo account and Simba pay
aimed at banking the unbanked in the country and also offers mobile banking services and electronic cards which allows travellers to pay for their transport fares as well as make purchases at retailers and petrol stations and conduct online payments. ABC also shows its commitment to their customers by backing them up with excellent service and targeted marketing campaigns. ABC is rewarded for its uniqueness with a premium price.

Resource Based View was first discussed by Wernerfelt (1984) and he viewed an organization’s resources as the core source of sustained competitive advantage. Further looked into how human resources meet the criteria for sustained competitive advantage in that they are valuable, rare, distinct and non-substitutable. Also looked into the implications for developing human resources as a source of sustained competitive advantage especially on the role of human resources practices.

Resource Based View also advocates that organizations should come up with resources that are uniquely developed and give an organization an edge over its competitors hence perpetual competitive advantage. The theory presumes that the ability of an organization to achieve a position of advantage depends on the resources it holds which may be financial, human, technological or physical (David, 1997). It is the well planned utilization of these resources that gives the organization the power to overcome its competitors and therefore theorists who support this view encourage the firm to keep enhancing and improving their resources so as to stay ahead of their competitors. The results of this research support this theory. ABC continuously improves its employee through training and development. ABC invests in creating conducive environment which enables their resource people to get more skills and knowledge.
McKinsey 7-S model was developed in 1980s by Tom Peters and Robertman, both consultants working at a consulting firm. The idea behind the theory is that the seven aspects of an organization that is Staff, shared values, skills, style, systems, strategy and structure need to be well aligned for the success of a firm. The 7-S is widely used and helps to improve the performance of an organization, examine the likely effects of an organization, help align departments and processes and implement on a proposed strategy.

ABC also understands that its future largely pivots on how it aligns itself technologically. ABC efficiently utilizes and improves its resources such as employees, technology and systems, and ABC brand to defeat its competition and stay ahead of its competition. As a result, ABC has gained competitive advantage through developing unique competencies using these resources.

4.4.2 Comparison with other Studies

Studies conducted on the use of strategy to gain competitive advantage have confirmed that all firms operating in any industry adopt strategic management practices in order to gain competitive advantage. This was evidenced by results of Musyoka (2012) who did a study on competitive strategies adopted by ABC in retail banking and concluded that expansion to more coverage, information technology (T24) and training of workforce were used to gain competitive advantage. The results are in line with this study which has established that ABC utilizes and continuously improves resources such as employees, technology and systems, and ABC brand to develop unique competencies for gaining competitive advantage.
Mwangi (2003) studied strategies employed by the National Bank of Kenya to gain competitive advantage and established that the main source of competitive edge over other banks was driven from the low bank charges for the range of services offered to the public. Onyoro (2011) studied competitive strategies and performance of multinational commercial banks in Kenya. The results of this study showed that Multinational banks in Kenya have moderate usage of low-cost leadership strategy with significant variations in its adoption. It was also evident that most of them also used the differentiation strategy especially introduction of unique features to a product or service and unique products and services. This study has revealed that for ABC to further gain competitive advantage, it uses the cost leadership strategy that ensures that as products and technology emerge, the Bank is able to provide products and services that are reliable without incurring additional costs. KCB also uses the differentiation focus strategy to exploit the special needs of buyers in specific segments.

Mutua (2013) studied competitive strategies adopted by National Bank of Kenya to cope with environmental changes and concluded that the competitive strategies are in areas such as strategic transformation, corporate governance, strategic business growth and development, information communication technology, corporate social responsibility, risk management, market segmentation and product diversification. The findings of this study have revealed that ABC also uses similar competitive strategies with additional strategies such as sales and channels, customer centric operations, innovation and invention and brand and marketing.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the thorough scrutiny of the data collected, the following discussions, conclusions and recommendations were arrived at. The analysis was based on the objective of the study.

5.2 Summary

The summary was drawn from the results and findings of the study. It is based on objective of the research on the strategic management practices adopted by ABC Bank to gain competitive advantage. On the adoption of formal strategies for achieving the bank's objectives, the results indicate that ABC had adopted focus product differentiation, cost leadership, resource based strategy and product differentiation in achieving the bank’s overall objectives. ABC extends their different products and services to different segments of clients who have unique needs and wants.

ABC also exploits its resources and capabilities and utilizes them effectively to gain competitive advantage. On the implementation and the development of the strategic management practices, respondents indicated that this is done mainly by the BOD and the EXCO and directors together with departmental heads. This shows that all levels of staff are engaged and the adopted strategic management practices are geared towards bank's progress.
On the strategic management practices adopted to gain competitive advantage, most responses indicated that the bank competes by focusing on development of new operating technologies, inventing and innovating new and unique products and services for different segments coupled with aggressive brand and targeted marketing, offering quality products, discovery of new markets, customer service and support, Extensive advertising and offering significantly lower costs. ABC also invests in training and developing its employees to get more skills and knowledge; therefore it has great chances of gaining more returns in the competitive markets as employees learn new ideas and new way of running businesses. Respondents also indicated that ABC has invested heavily in technology and systems and planning to invest in queuing system in the year 2018. This is to reduce the queuing time for customers.

Through adoption of these strategies, ABC has been able to withstand competition and serve a larger market share and earn higher profits in comparison with its competitors. These strategies are directed by the Banks Vision and Mission. The Management however identified some key areas of improvement required in fulfilling its vision; These strategies include; improvement in Customer Service, improvement in cost efficiency through exploitation of technology and improved processes, Improvement in the Run rate which is slightly behind budget and improvement on staff productivity, nurture lasting relationships with all our stakeholders through innovation, value adding financial solutions and services that help them realize their objectives.

These strategies facilitate the bank to have a healthy competition in the banking industry leading to increase in profit margin, improved employee performance, growing market share through new products and services to satisfy customer needs, delightful and
memorable customer experience, loved and authentic brand, loans are approved faster and risk is mitigated. ABC has great resources such as trained and developed employees, bank technology and systems and a strong brand among others which it uses to improve its performance.

5.3 Conclusion

The study established that ABC had adopted various strategic management practices to gain competitive advantage in the banking industry. In this study, development of new operating technologies, Invention and innovation of new products and services, discovery of new markets, customer service and support, Extensive advertising, quality products and services, significantly lower costs, aggressive branding, effective and efficient technology, good corporate governance and employee training and development are the strategic management practices adopted by ABC to achieve competitive advantage in the banking sector in Kenya. The results of this study support the Resource Based View which was first coined by Wernefelt (1984) to advance the idea that strategy of a firm is a count on the resources held by the firm. In reality, with the Resource Based Model, competitive advantage is created when resources that are owned exclusively by the firm, are applied to work and improve on the unique competencies. ABC employees and technology and systems, as key resources are used to developing unique products and services that meet its customers' needs and wants.

Porter (1980) argues that for an organization to perform well, it ought to adopt generic strategies; focus strategy, differentiation and low cost strategy. From the findings, ABC uses a combination of these management practices and strategies that is product
differentiation strategy and cost leadership strategy. The study therefore concludes that ABC is aware of the competition in the banking industry and has taken measures to ensure that the bank remains competitive and achieve above average performance in an industry, by adopting specific strategies for gaining competitive advantage.

5.4 Recommendations

From the discussions and findings it is clear that the ABC has strategies that it has adopted to be competitive in the industry. There is need for ABC to continue differentiating itself from the competitors if it is going to remain relevant and competitive in terms of the products and services which the bank offers. ABC has a large asset base which if well utilized, is able to generate higher profits than it is currently making. Through its operations, it should further improve efficiency in the delivery of its product and services to its customers, and reduce more costs hence achieving higher profits.

Banks should adopt strategies that enable them gain competitive advantage based on their capabilities. The findings from this study should enlighten other banks on the strategies they can undertake to gain competitive advantage in the industry. The study recommends that banks should have a comprehensive strategic plan that clearly stipulate how the bank intend to gain competitive advantage and enhance performance through Invention and innovation of new services and products, pertinent brand and targeted marketing, excellent customer experience, reliable, secure and perceptive technology and systems, employee training and development, excellent governance, risk management and customer centric operations.
The study recommends that policy makers within the government can rely on these strategies while developing policy directions for the banking sector in Kenya. The Central Bank of Kenya (CBK) can also use this information to formulate comprehensive prudential guidelines that would help tackle the various setbacks within the banking sector, especially on how banks should adopt strategies that will enable them remain competitive. The study recommends that scholars who are interested to further explore the concept of competitive strategies can use the findings of this study as a reference. They can also further research on strategies adopted in other industries.

5.5 Limitations of the study

This study focused on ABC Bank. The results of this study are therefore limited to ABC Bank and may not apply in any other bank or financial institution. The results may therefore not be a true representation of the banking industry in Kenya and the results should be interpreted with care. The study also focused on strategies adopted to gain competitive advantage in ABC Bank. Thus the scope of the study was limited to the strategies adopted for competitive advantage and not any other concept. This therefore limits the results of the study.

Due to limited resources, the number of respondents represented is relatively small and may not be a true representation of the population. There were difficulties in getting respondents to interview due to their busy schedule. A few respondents quoted confidentiality and were not open during the interview as they withheld key information they considered confidential and sensitive on the fear that it can leak to their competitors.
5.6 Suggestions for Further Research

The study was limited to ABC Bank and this study therefore suggests a further research covering other banks to find out the strategic management practices they adopt to gain competitive advantage. The further research will help confirm whether other banks adopt similar strategic management practices adopted by ABC bank, and whether there are factors that impact on their ability to gain competitive advantage.

The study focused only on strategies adopted to gain competitive advantage in ABC Bank. The study recommends further research on other concepts necessary in formulating and coming up with successful strategic management practices for purposes of gaining competitive advantage. The further research will go a long way and provide crucial information and enhance this study on what banks should consider while formulating strategies and guide them on how to come up with strategies that will enable them achieve their overall objectives.
REFERENCES


APPENDICES

APPENDIX I

INTERVIEW GUIDE

STRATEGIC MANAGEMENT PRACTICES ADOPTED BY ABC BANK TO GAIN COMPETITIVE ADVANTAGE.

Part A: General Information

Name of Branch...........................................................................................................................................

Date of Survey...........................................................................................................................................

Name of employee.......................................................................................................................................

Job title.......................................................................................................................................................

Department..............................................................................................................................................

Part B: Strategic Management Practices

i. Situational Analysis Practices

1. Does ABC Bank periodically gather and analyze data on market, internal and external factors that may affect its operations?...........................................................................................................

2. How often do they gather and analyze this data?..................................................................................

3. Does the external or internal market analysis identify key strengths, weaknesses, opportunities and threats to the business?............................................................................................................

..............................................................
4. What strategic management practices have been put in place by your Bank?

(ii) Formulation Practices

1. Does the chief executive officer take formal responsibility for the bank’s strategic management planning?

2. If yes, how does he take this responsibility?

3. If no, why doesn’t he take this responsibility?

4. Is Strategic Management Practice a top priority activity in ABC Bank?

5. Does ABC Bank hire the services of a consultant in the process of Strategic management development?
6. If yes, what roles does the consultant play? .................................................................
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7. Are members of staff briefed and taken through the strategic management plan before
implementation? ..................................................................................................................

8. If yes, why are they briefed? ..........................................................................................
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9. If no, why are they not briefed ......................................................................................
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iii. Implementation Practices

1. Does ABC Bank have a written mission and vision statements? ..............................

2. Does ABC Bank management come up with ways to enlighten the employees on the
mission and vision statement? ..........................................................................................

3. If yes, what ways are they? ..........................................................................................
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4. If no, why don’t they come up with means and to enlighten employees of the mission and vision statement?

5. Do ABC Bank have strategic objectives? Yes or No.

6. What strategic objectives are they?

iv. Evaluation Practices

1. Does ABC set a well-defined and measurable performance targets for every strategic management plan module? Yes or No.

2. Does ABC review strategic management decisions? Yes or No.

3. How often does ABC review strategic management decisions?
4. Does ABC conduct perception surveys to gauge staff and customer satisfaction? Yes or No……………………………………………………………………………………………

5. How often are the surveys conducted?............................................................................

6. What other strategic management practices would you say ABC has adopted?
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Part C: Competitive Advantage
1. Who are ABC main competitors?......................................................................................
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2. What are the ABC guiding principles and strategic focus in a competitive environment?
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3. What is the objective of ABC Strategic Plan?.................................................................
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4. What strategies has the bank adopted to gain competitive advantage? …………………
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5. Any other comments regarding strategies adopted by the bank in gaining competitive advantage………………………………………………… ………..
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That marks the end of the interview. Be blessed for your time and thanks a lot for your indulgence.
APPENDIX II

INTRODUCTION LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

DATE: 06/10/2017

TO WHOM IT MAY CONCERN

The bearer of this letter, EPHANICLUJ KAMAU KANHU, is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

06 OCT 2017
APPENDIX III

LETTER TO RESPONDENTS

Dear Respondent,

RE: Strategic management practices adopted by ABC Bank to gain competitive advantage.

I am a student at the University of Nairobi pursuing a Masters of Business Degree in Strategic Management. I am conducting a research on the strategic management practices adopted by the ABC Bank to gain competitive advantage. Please take some time and go through the questions in appendix I.

I would like to assure you that any information collected during the interview will be treated with utmost confidentiality for the sole purpose of this research. Kindly let me know when the most convenient date is and time to carry out the interview.

Thanking you.

Ephantus Kandugu (Researcher)