

**COMPETITIVE STRATEGIES ADOPTED BY COMMERCIAL BANK  
OF AFRICA LTD AND ITS INDUSTRY POSITIONING IN THE KENYA  
BANKING SECTOR**

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## DECLARATION

I declare that this is my original work and has not been submitted for the award of a degree in any university or college.

Signed \_\_\_\_\_

Date \_\_\_\_\_.

**Aduol Bramwel Dennis**

**D61/85617/2016**

This research project has been submitted with my approval as the University Supervisor

Signed \_\_\_\_\_

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## **DEDICATION**

This project is dedicated to my parents Mary Juma and Willis Nyanga who inspired me and always encouraged me to aim higher. To my brothers and sisters. Who have always supported me to keep progressing, I thank them all.

## **ABSTRACT**

This study was on competitive strategies adopted by Commercial Bank of Africa and its industry positioning in the Kenyan banking sector. The study sought to establish competitive strategies adopted by the Commercial Bank of Africa. Second objective was to establish Commercial bank of Africa Industry Positioning and determine whether the competitive strategies adopted are helping Commercial bank of Africa in the industry positioning. Theoretical framework involved literature review of various studies and relevant theories to this study. Case study was used as a research design with Interview guide being used to collect primary data. Secondary sources from journals, books and other publications were also collected. Content analysis was preferred in analyzing the data collected from the respondents. The study found out that Commercial Bank of Africa has adopted various strategies such as product differentiation strategy, focus strategy and strategic alliance that has helped it position itself within the top tier 1 banks in Kenya. This position has enabled Commercial bank of Africa to grow its client base due to increased customer loyalty. Based on the findings, the study has made recommendations to the policy makers and management team to will ensure enhanced client relationship management, increased customer satisfaction and growth in revenue and client base..

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Over the years banks have continued to offer financial services to individuals and various corporate institutions thus economic stability. Market leaders in the banking sector focus on the customer as the king. Banks always strive for ways to enhance customer loyalty. It is competitive strategy that will ensure a firm not only has the ability to compete favorably, but also services global and local onslaught on its market share (Yabs, 2010).

The study will be guided by two theories; Resource Based View (RBV) theory and Porter's Generic Strategies Model. Resource Based View theory views resources as key to a firm's superior performance. There are various resources within a firm and it is how these resources are utilized that makes a firm different from each other. These resources include assets, capabilities, and processes of the organization, firm attributes, information and knowledge within an organization. The resources are key in developing strategic response in the organization. (Barney, 1991).

According to Pfeffer and Salancik (1978), the environment has scarce resources and organizations depend on these scarce resources for survival. These resources are also not always readily obtainable thus organizations need to find ways of controlling these scarce resources to gain competitive edge over its competitors in the market. Research based view argues key resources should have four attributes called VRIN, i.e. resources must be valuable, Rare, Inimitable and Non-substitutable. Resources with these four attributes are able to provide competitive advantage to the firm.

Porter (1985) in his generic strategies model, identifies three basic strategic options available to organizations for gaining competitive advantage. Organizations can have cost leadership, differentiation and focus. For sustained competitive advantage, An organization should set goals which are clear. The values and culture of the employees should also be aligned to the goals of the organization.. Firms need to provide reasonable value at a lower price, deliver better benefits than its competitions understand its target market better.For firms, organizations and other institutions like banks to remain competitive therefore, they must seek to attain and control the key resources. Organizations have to consider their immediate environment in terms of competition, supplies and customers. These are key stakeholders as they determine the success of the organization.

### **1.1.1 Competitive Strategies**

According to Olmsted and Jamison (2001),competitive strategies comprise of each one of the ways and methodologies an organization has and adopting to attract purchasers ,counter pressure and enhance market leadership.There are different types of strategies that a firm uses and they include strategic alliances,differentiation,cost focus,market penetration and market diversification.Jonsson and Devonish (2009) contends that organizations that have legitimately arranged and applied competitive strategies tend to have higher performance.

Porter (1985) defines competitive strategy as an organization's ability to structure where,why and how organization is going to leverage either on resources,skills and knowledge to achieve the stated goal. Competitive strategy therefore entails a firm's attempt to gain resources that will enable it perform at a higher level, compared to its competitors. With the ever changing and dynamic business environment, firms will have to not only have the ability to compete favorably, but also survive within the market by developing effective strategies that enable it to survive.

Effective strategies incorporate a firm's goals and activities together. The strategies provides a direction of an organization over a long term period by designing resources and competences with the aim of meeting the needs of stakeholders. (Johnson and Scholes, 1999). These strategies will give the firm an edge over other firms. This means the firm will be able to provide superior goods and services to its customers. Customers will have superior value of the products and services and this will be measured through increased satisfaction. Through competitive advantage, a firm will be able to attract and retain its customers thereby resulting in customer loyalty, due to superior products and services. Such firms will be able to enjoy a larger market share in the competitive environment.

Firms will therefore have to continuously adapt to the changing external environment and match internal strengths and capabilities by channeling its resources and competencies in appropriate and desirable manner.. Managers have to source for key resources vital for enabling the organization stay ahead of its competitors. This is because the changes in both micro and macro environment will affect the operations of the business.

Dess *et al* (2007) contends that competitive strategies are aimed at picking favorable positions by firms as compared to its competitors by availing to purchasers goods and services of high quality either lowering purchasing costs or by reducing more benefits in the products and services that legitimize higher prices.

### **1.1.2 Industry Positioning**

Industry positioning is the position of the firm in a sector to secure competitive advantage by establishing value chain leadership along with technological differentiators. The aim of industry positioning is to establish an image or identity of a brand or product so that customers perceive it



in a certain way. This ensures the company owns a meaningful and differentiated idea in the minds of the customers and can result in the firm acquiring a leadership position in the market.

Market leadership, which most companies aim for, is the level of a firm that has the largest share of the market or highest profit center in the market (Rouse, 2007). For an organization to be a market leader, it requires the firm's products in line with the needs of targeted clients.

Organizations aim to dominate the market by influencing customers' loyalty towards their products and services, in pricing of products, image and perceived value. A firm with a position of a leader can be a pioneer, especially firms that introduce a new product in the market thus becoming pioneers in the industry. Caplow (1983) says most companies will measure their growth in terms of profit, relevance and other financial data. Market leadership is important for organizations that intend to attract and retain its existing customer base. Firms with leadership will be able to offer low cost products due to economies of scale. As Bennett (2017) argues, some people also take comfort in being part of the majority. Such people take comfort in dealing with what they see as winners. Organizations with market leadership status thus are able to increase on their sales volume due to customer loyalty. Third parties like suppliers, contractors, dealers are as well much happier to work with leaders given the demand for their products is high. Similarly, employees feel better to identify with a vision that aims at being the best. Michael Treacy and Fred Wierseman (1997) says companies must embrace a competitive strategy to succeed in the market. This must involve efficiency in operations, maintain customer loyalty and offer superior products for leadership.

### **1.1.3 Banking Industry in Kenya**

In Kenya, banks are regulated by the Central Bank of Kenya (CBK) Act and the Banking Act. The Central Bank of Kenya issues prudential guidelines and other regulations with certain

requirements, restrictions and guidelines. This ensures openness transparency among banks and their clients.

Banks in Kenya have an association called Kenya Bankers Association (KBA) which lobbies for the interests of the member bank. The banks have undergone dynamic changes with increased use of technology. For instance banks have strategically placed Automated Teller Machines (ATM) at convenient places to allow their customers ease of access to banking services. With agency banking as well, banks have been able to service its clients who are far away from their bench network. Banks continue to spend much on research and development actions in order to develop new products and new strategies with other banks procuring the latest technology from the market (CBK, 2014).The sector has witnessed several acquisitions over the past 4 years. Diamond Trust acquired Habib Bank Ltd Kenya, Guarantee Trust bank acquired Fina Bank, 1 & M Holdings acquired Giro Commercial Banks, and recently SBM Holders acquired Fidelity Commercial Bank (CBK,2018)

Bank in Kenya has been faced with various challenges.Stiff competition from savings and credit co-operative societies,microfinance institutions remain a challenge.This has resulted in decline in the number of new customers to the banks.Globalozation,increases

cases of fraud,rapidly ever changing customer needs poses challenges too to the banks who have to develop strategies to respond to these challenges.

#### **1.1.4 The Commercial Bank of Africa Ltd**

Commercial Bank of Africa Ltd (CBA) is one of the largest private banks in Kenya and was first established in Tanzania over 50 years ago.Branches were later opened in Kenya and Uganda.Commercial Bank of Africa Ltd currently has a high reputation for effectively and

efficiently serving high networth clients, diplomats and large NGOs. CBA is credited by its innovative ideals having been the pioneer behind digital banking through its product, Mshwari which was launched in partnership with safaricom company.

CBA offers various other products to its customers such as personal and corporate loans, credit cards, savings and investment solutions. CBA headquarter is located at upper hill, Nairobi, Kenya and has 34 branches in Kenya. CBA has other branches across Eastern African region in Uganda, Tanzania and Rwanda.

## **1.2 Research Problem**

The banking sector is experiencing very stiff competition with banks outdoing each and from the front end of products, service delivery, employee retention among others. To cope with such increased competition in the dynamic environment, different banking institutions are employing different strategies to remain competitive. As Harper & Chan (2002) contends, the various forces for change have combined to create a vastly more competitive environment for banks. With the stiff competition and current strict regulatory requirements such as minimum core capital for operations, some banks have fallen off and put under receivership for instance Dubai bank, Imperial bank and Chase bank, while others such as Fidelity commercial banks and Habib bank have been bought or merged with other banks. Abishua (2010) notes that the level of competition in banking industry has increased tremendously prompting even international banks like Stanbic bank, Standard chartered bank to change their strategies in order to maintain and enlarge their market.

The Kenyan banking sector has expanded over the years and grown significantly even to the regional markets. The banking sector has become very dynamic and banks have reacted in

various ways including strategy reformulation to ensure sustainable competitive advantage. There has been increased entrance of others players in the Kenyan banking sector for instance entrance of local banks, entrance of micro finance institutions, small and medium enterprises (SMEs), and foreign banking setting operations within Kenya. All these institutions have set up operations in Kenya with the aim of targeting huge population of the unbanked and under-banked population mainly in the rural areas (Central Bank of Kenya, 2014).

Some studies have been conducted on some strategies employed in the banking sector to remain competitive in the dynamic environment. Munga (2005) focused on managing resistance to change in the banking sector. Kioko (2014) on his part investigated strategic responses adopted by commercial banks to digitize customer service and operations, case study of KCB bank. Other studies have also been conducted focusing on market expansion, strategic alliances, extension of banking hours and reaching majority of low income earners through branch network expansion.

Studies have however not been conducted on emerging new products developed by the Commercial Bank of Africa as a way of gaining competitive advantage. For Instance the products that have been developed by CBA bank include Mshwari in Kenya, M-kesho in Tanzania and Mokash in Uganda and many other products. Similar mobile money product is in the process of being replicated in Rwanda and Ivory Coast (CBA, 2017). This therefore remains a knowledge gap.

This study will be guided by the research question, what competitive strategies have been adapted by the Commercial Bank of Africa for market leadership in the Kenyan Banking Sector?

### **1.3 Research Objectives**

The objectives of the study were:

- i) To establish competitive strategies adopted by the Commercial Bank of Africa.
- ii) To establish Commercial bank of Africa Industry Positioning and determine whether the competitive strategies adopted are helping Commercial bank of Africa in the industry positioning.

### **1.4 Value of the Study**

The findings of this study will help the management of CBA bank to review and determine whether the current competitive strategies adopted are adequate and effective in the competitive banking sector. It will also serve to inform current and future strategic planners on policy formulation, implementation and evaluation of various strategies used by the banks. This study will also benefit CBA in understanding influence of competitive strategies.

Researchers and scholars will find this study useful since it will form a basis for future research. They will further use this study as a focal point for their discussions in the area of competitive strategies adopted by commercial banks for market leadership.

The findings of this study will also add to the existing body of knowledge on the competitive strategies in the banking sector.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In his chapter, literature is reviewed in line with the objectives of the study. The review focuses on previous studies and theoretical review of the study, critical analysis is made and research gaps highlighted.

#### **2.2 Theoretical foundation**

This section discusses the theories related to the study. This study will be based on two theories: Resource based view theory and Porter's generic strategies theory. These are explained in detail below.

##### **2.2.1 Resource Based View Theory**

Resource based view theory is an approach that views resources as key to a firm's superior performance. This theory dates back in 1990s with key scholars being Wernerfelt (The resource based view of the firm), Barney (Firm resources and sustained resource competitive advantage) among other scholars. Proponents of resource based view states that an organization need to view itself from within as source of competitive advantage and not from outside the organization.

The theory states that the different resources owned by a firm can have a significant influence on its overall performance. Variation in terms of resources will undoubtedly lead to performance differences. Therefore possession of resources which are unique is a source of superior performance (Pasanen, 2013).

Resource based view further states the firm has various resources and it is how these resources are utilized that makes a firm different from one another. These resources include assets, capabilities, and processes of the organisation, firm attributes, information and knowledge within the organization. Proponents of this theory argues an organization's resources should have four attributes to provide the potential competitive advantage to the firm. The resources must be valuable, rare, inimitable and non-substitutable. For resource to be valuable, the resources must add value to the firm, enabling it to exploit the opportunities and to enable the firm increase customer value by providing superior products and services to its customers. The resources should also be rare, they should only be acquired one or few companies. This will bring competitive advantage to the firm or few firms that have the rare resource.

Competitive strategy is created when an organisation owns and employs resources and capabilities to create an advantage over its competitors which ultimately result in superior value which is valuable and no-substitutable (Dollinger, 2003). Lev and Juergen (2004) contends that firms should provide customers with superior value if such firms are to gain competitive advantage.

### **2.2.2. Porter's Generic strategies model**

Porter (1980) developed generic strategies model and proposed that management may follow cost leadership strategy, differentiation strategy or focus strategy in the management processes. Porter looks into competitive strategies as a way of reducing the cost of production, offering products with unique features and or targeting a particular market segment.

Firms that adopt cost leadership aims to be low cost products. Such firms sell their products. Such firms sell their products at low prices but also offer a product or services of better quality

compared to those of competitors. For cost leadership, organisations must ensure efficiency in operation, technological, innovation, economies of scale, low cost labor and easy access to raw materials to cut on transport cost. Firms achieve competitive advantage through differentiation strategy in the market by ensuring extraordinary service, innovative design, and high quality, unique positive product brand and image.. Its success lies on identifying strategic customers away from the competitors (Johnson et al, 2008). Focus strategy entails an organization identifying a small portion of the market which it seeks to dominate and this is achieved by emphasising on quality of goods and services. This can either be a cost leadership or differentiation strategy aimed towards a narrow focused market (Porter, 2005). Organisations that employ these strategies have power over buyers as they may be the only source of supply in the narrow segment of the market they are in. (Njoroge, 2015). As Njoroge (2016) also adds to this, customer loyalty acts as a protection from new entrants and substitute products since an organisation is able to monitor its customers.

### **2.3. Competitive strategies and market leadership.**

Organizations develop different strategies to survive in the dynamic and turbulence environment. There exist various different strategies that any organization can adopt in order to remain competitive. Organizations exists in an environment of continuous unprecedented charges induced by rapid development in communication and information technology, trade liberations , trade-related support forces and more demanding consumers and globalization (Rosli, 2012). A company must therefore strive to have an edge over competitors in attracting and retaining customers by offering goods and services of superior value and affordable price.



Kariuki (2014) on her study on competitive strategies used by commercial banks in Kenya to attract corporate customers found out cost leadership is a strategy developed by various commercial banks. This involves outsourcing activities such as security services, catering. Aggressive pursuit of automation to lower the cost of service delivers, avoidance of marginal customer accounts are other measures adopted to cut on operational costs. From her findings, banks also use differentiation strategy. Some banks frequently introduce new products targeting corporate clients, frequently improves the existing products through offering customized products and some banks even have special interest rates for same corporate clients.

Chege (2013) on her study on strategies developed by commercial banks to manage service quality established that for market leadership and to achieve the objectives like profit maximization then integration of information, communication and technology (ICT) support in service delivery by commercial banks will promote customers satisfaction and competitive edge among the commercial banks in Kenya. Automated services enable commercial banks to be more effective and efficient.

Ouma (2016) also adds to the study on market leadership on her study of agency banking strategy and organizational performance in Kenyan banks. He established using agency banking have increased their market share, the branches have been decongested and financial inclusion has been enhanced especially among marginalized and unbanked population. The agents also offer authorize transactions on real time hence such banks are able to attract more customers and retain already existing clients.

Njoroge (2016) studied strategies adopted by shopping malls in Nairobi county to remain a market leader. She found out that shopping malls adopted various strategies that were favourable

for market leadership. In the study, it was established that in a shopping mall, one easily notices two, three, four or more banks next to each other on the same floor. From her findings, the most preferred strategy was branding through aggressive marketing and advertisement of their products.

Mohammed (2016) on his part examined automated queuing and experience of KCB retail customers in Nairobi county where he found out that upon introduction the automated queuing system, services are rendered much faster, more time saved within the banking hall. This is important in customer satisfaction. The increased customer satisfaction is further enhanced by the machines being convenient, easy to use, accurate and reliable.

Amadi (2014) on her study on the effect of training and development on employees performance noted employees feel motivated by the training programs. Training enables employees acquire skills and knowledge required to perform their job.

#### **2.4. Summary of literature and knowledge gaps**

Studies have been conducted for competitive strategies and market leadership. However, gaps still remains on certain areas that have not been extensively studied. The gaps will form the basis for the study.

Little study has been done on commercial banks establishing subsidiaries which are fully owned by the banks, as a way of increasing their market share. For instance, Co-operative bank of Kenya has Co-op Trust Investment Services ltd, KCB bank group has KCB capital ltd, CBA bank has CBA capital ltd. The banks have subsidiaries which adds to the client base.

Commercial Bank of Africa continues to enhance product differentiation by offering unique products with unique features. Apart from M-Shwari, CBA recently introduced a new product called Loop in 2017. Loop is a fully, first time digital bank developed to cater for the millennials diverse banking needs such as managing personal finances, creating financial goals, borrowing loans, investment, sending money, paying utility bills among others. It would be interesting to study whether this new product has offered CBA a competitive edge in the market.

Studies have been conducted on employee training as a way of improving employees skills and abilities. Little study has been conducted to understand the frequency of such employee training and whether they are in line with employee career development goals. Employee feel much more motivated when the training offered to them are in line with their career aspirations.

Other studies have also been conducted on strategies adopted by commercial banks for market leadership such as strategic alliances, expansion in branch networks, mergers and acquisitions. However a study on commercial banks focus on certain market niche is an area that will be of great interest to study, given Commercial Bank of Africa majorly focuses on high net-worth clients, embassies, diplomatic missions, international NGOs among other as client base.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter highlights and discusses the components of research methodology with emphasis on research design, data collection and data analysis.

#### **3.2 Research Design**

According to Noum (2007), research design is a scheme, outline or plan that is used to generate answers to research problems. Research design is a framework that specifies the relationship among the study variables. The researcher will use a case study to conduct an in-depth and comprehensive inquiry to have an in-depth description of the subject under study.

In this case, the phenomena studied was Commercial Bank of Africa ltd. As Kinyoe (2016) contents, one of the man advantages of a case study is that it provides a good understanding of a certain phenomena and it is reliable instrument to inquire a certain phenomena. Case study not only provide a deeper understanding of the phenomena itself, but it also established the relationship among variables of the study.

### **3.3 Data Collection**

In this study, both primary and secondary data sources were used for collection. Primary data was collected using interview guide, which contained open ended questions. The interview guide was administered by face to face interviews at various Commercial Bank of Africa (CBA) branches and departments. The respondents were 15 in total. Out of these, 8 were senior managers in the departments of corporate banking, personal banking, branch banking, Information technology, finance, Risk & compliance, operations and human resources. Other respondents of the study were 7 branch managers of CBA bank. The researcher settled on their choice since they include the groups involved in strategy formulation and implementation.

An interview guide is a set of questions that guide the interviewer when interviewing, it helps the interviewer to structure the interview (Mugenda & Mugenda, 2003). With an interview guide, it was easier to get data required to for the research objective by extracting relevant information from interviewees. As Kinyoe (2016) notes, interview guide gives the researcher a better understanding and more insightful interpretation of the results from the study.

The interview guide was designed based on the objectives of the study; it helped direct the interviews and tailor the discussions to obtain appropriate responses. The interview guide was in two parts; the first focused on the interviewees' background information while the second part sought to identify the competitive strategies adopted by the commercial bank of Africa and industry positioning.

### **3.4 Data Analysis**

Data analysis is a process that entails packaging the collected information, arranging and structuring in a way that the findings can be easily and effectively communicated (Kothari, 2004). The data collected was analysed quantitatively on the basis of the variables highlighted. Content analysis will be used in analyzing the in-depth qualitative data collected. Mugenda&Mugenda (2003) defines content analysis as a technique for systematically and objectively describing written, spoken or visual communication and identifying characteristics of key messages using the same approach to relating trends

The responses in the open ended questions were grouped into categories which use mutually, exclusive and exhaustive. Qualitative analysis method was suitable as it did not limit interviewees on the responses and it will also help generate more information to meet objectives of the study. Data analysis method can be either statistical or qualitative. Given this will be an in depth interview content analysis thus will be applied to analyze the data.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter presents the research findings and discussions of the study. The respondents of the study were those involved in the strategy formulation and implementation within Commercial Bank of Africa. The respondents were 15 in total. Out of these, 8 were senior managers in the departments of corporate banking, personal banking, branch banking, Information technology, finance, Risk & compliance, operations and human resources. Other respondents of the study were 7 branch managers of CBA bank.

#### **4.2 General Information**

The study took some background information about the respondents to determine further, their suitability in providing information sought by the study. The interviewees were first asked to specify which department or branch they work, and their title within the organization. The interviewees were further asked to indicate how long they have worked at CBA. It was established that all the respondents of the study had worked for more than 5 years at CBA. The study also established that out of the total 15 respondents, 8 had worked for over 10 years at CBA. This was an indication that the respondents had enough knowledge and working experience at CBA hence the information collected from them were reliable.

### **4.3 Competitive Strategies Adopted by Commercial Bank of Africa**

This section provides the findings on competitive strategies adopted by commercial bank of Africa. The respondents identified product differentiation, focus strategy, strategic alliance and continuous employees training as strategies employed by CBA. This was the first objective of the study.

#### **4.3.1 Product Differentiation Strategy**

The respondents indicated CBA offers unique products to its customers. This strategy was said to be useful because the customers' needs and preferences are too diverse to be fully satisfied by standardized products offered by all other banks in the market. The respondents further said the bank differentiates its products according to what the customer perceive to be of value, and the products are meant to satisfy the customers. Commercial Bank of Africa for instance launched a new product called CBA Loop in 2007. Loop is a digital banking service that helps customers manage their money better right from their phone. This product was meant to capture the millennials and has expert tools or app that help young people to manage their finances through dashboard that analyzes income verses expenditure. This product also enables users to send money anytime , pay utility bills conveniently at any time anywhere, borrow loans, invest money and create financial goals.

Commercial bank of Africa also has a unique product called Mshwari as indicated by the respondents. Mshwari is new product developed which allows M-pesa clients save funds on their mibile phone and earn interest based on the savings.The clients can also borrow funds via the mobile phone.



### **4.3.2 Focus Strategy**

This is a strategy where a firm identifies a smaller portion of the market which it seeks to dominate and prefer to achieve this by emphasizing on quality of goods and services. The respondents mentioned focus strategy as a key strategy developed by CBA where the bank mainly focus on a certain market niche to serve its customers better. The respondents stated CBA mainly focuses on high networth clients who include embassies , International NGOs, large multinational corporations , senior government officials among others. The respondents indicated CBA focuses on exploiting this narrow segment of the market. The products and services offered to this population are tailor made to suit their tastes and preferences. The products and serves were also said to be of high quality given the target audience is high networth hence suiting their needs.

### **4.3.3 Strategic Alliance Strategy**

Strategic alliance is a type of strategy where parties come together and agree on common interest activities. Strategic alliances enables the parties to set and achieve goals of common interest thereby enabling improvement in performance.(Mocker , 1998) . It was established from the respondents that CBA has formed strategic alliances with various institutions for mutual interests. Key among these is Safaricom Limited through Mshwari / Mpesa cooperation which allows all MPESA customers to be able to save money on CBA product Mshwari and earn interest on deposits. Mpesa customers can also borrow loan from Mshwari.

Commercial bank of Africa also has developed a strategic alliance with other banks mainly Citi bank New York and JP Morgan Chase bank, New York. Through the strategic alliance , CBA is able to trade on those exotic currencies such as Moroccan

Dollar(MAD), Singapore Dollar (SGD) Ghanaian Cedi ( GHS) .This cooperation's enables JP Morgan and Citi Bank New York to settle CBA customer payments in exotic currencies thus this gives CBA a competitive advantage in the market as it is able to offer the unique product to its customers through the strategic alliances.

#### **4.3.4 Continuous Employee Training and Development**

During the study, it was established that CBA invests heavily on employees training and development to enable its employees acquire more skills and knowledge relevant for their roles. The respondents noted these trainings are continuous and all employees are trained annually while others quarterly depending on their roles. CBA has initiated development programs such as courses, employee coaching,online courses in order to enhance employee capabilities. These activities are meant to improve the individual, group and entire organizational productivity.

Respondents noted continuous employee training was a key motivator for CBA employees and has drastically decreased the level of employee attrition.It was noted continuous training to improve employees skill set booste their morale and confidence levels at work.

#### **4.4 Commercial Bank of Africa Industry Positioning**

The study also sought to establish CBA industry positioning in the Kenyan banking sector. Through secondary data sources from Central bank of Kenya website,journals,magazines, It was established, that CBA is among the Tier one banks. It was noted that banks are

classified by regulator Central Bank of Kenya as Tier one, Tier two and Tier three banks. The classification is based on the banks weighted Index of all their assets, capital reserve, customer deposits, number of loans and deposits accounts. Apart from CBA, other banks in Tier one include KCB, Equity, Barclays, Cooperative bank, Diamond Trust bank and Standard Chartered bank. Tier one banks are the large banks that have been operating for many years and have millions of customers and huge assets of Billions. These banks are also the safest banks to invest and earn huge profits every year and have a strong market share.

#### **4.5 Discussion of Findings**

The findings revealed that Commercial Bank of Africa has adopted formal strategies that enable it remain competitive in the market. It was revealed that the banking sector was competitive and dynamic and strategy was seen as an essential tool for coping with this kind of competition so as to survive and position effectively in the dynamic environment.

Product differentiation strategies were found to be one of the key strategies used by CBA to achieve its competitive advantage. Through its product Mshwari, CBA has acquired more than 10 Million new customers. Newly launched CBA Loop has also attracted more than one million users within less than a year. This has enabled CBA gain sustainable competitive advantage given its market share has increased over the years by offering high quality goods and services that are able to attract and retain its loyal customers whilst meeting their tastes and preferences. The results are consistent with findings by McCracken (2003) that key step in competitive advantage is to determine what makes a company different from a competitor. He further states a company should provide unique products that will capture

particular segment of the market. The study is also consistent with findings by Kariuki (2014) that differentiation strategies allows organizations build a strong customer base when such organizations frequently introduce new unique products targeting clients to achieve corporate customer satisfaction to ensure customers receive specific value in the products offered.

Focus strategy adopted by CBA was also noted to be a key strategy to CBA. Having decided to focus mainly on a particular market segment has enabled CBA understand its market share effectively through research and development activities. CBA has therefore been able to effectively respond to the needs of its clients by offering valuable products to the high end clients , diplomats, embassies,consoles and large corporation. It was further established some embassies and large companies specifically operate all their staff salary accounts ,operational accounts at CBA, This has enabled CBA to grow its customer base.This is consistent with findings by Karanja (2002) who found out focus strategy is competitive allowing organizations to get more clients and able to increase customer base..The results are also consistent with Ndung'u (2016) findings that some banks concentrate on specific target market to offer quality products and services to its customers to gain competitive advantage.

Strategic Alliance as a strategy adopted by CBA has significantly increased its market share especially through Safaricom –CBA partnership where Mshwari was launched to serve MPESA customers . With over 10 Million Mshwari customers, CBA has greatly earned its space in the banking industry. Similarly by being among the leading banks currently offering exotic currency transfer services such as transfer of Moroccan currency ( MAD) Ghanaian Cedi( GHS) , Singapore dollar( SGD), CBA has earned respect from other banks and customer loyalty was also established to have increased given its major customers are diplomats and large NGOs who usually make payments in exotic currencies from head

office in Kenya to NGOs operating in West Africa, Southern and Northern Africa. Such NGOs feel accommodated and are at ease now by being able to remit funds of any currency. This has increased customer convenience in transactions and confidence in CBA as a key partner. This strategic alliance between CBA and Citi banks and JP Morgan New York, has therefore enabled both parties to grow in revenue through sharing commission earned from such payments.

The result is consistent with findings by Achoki (2013) who identified strategic alliance between High Commission of India and Bank of India as a key strategy for competitive advantage. In this strategic alliance, the bank collects visa payments on behalf of the High Commission of India, reconciles the visa payments everyday and sends a copy of reconciled list together with the bank statements everyday to the High Commission offices. The bank charges a commission from the applicants for the services offered. The study is also in tandem with Channon (1999) findings that firms form strategic alliances so as to achieve certain strategic goals.

It was also established that Commercial Bank of Africa has grown over the year with increased client base and financial performance and has effectively positioned itself as a leading commercial bank in Kenya. Commercial Bank of Africa is among the top tier one banks in Kenya thus perceived as among the safest banks to conduct business with.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of key findings of the study, conclusion drawn from the findings highlighted and recommendations proposed by the researcher upon analysis of the findings. Also included in this chapter is limitations during the study as well as what the study suggests should be studied further.

#### **5.2 Summary of Findings**

The study found out that Commercial Bank of Africa (CBA) offers unique products and services to its customers especially CBA loop and M-shwari which has significantly increased its customer base. CBA has differentiated its products according to what customers perceive to be of value, CBA is among top ten banks training. It was also established that CBA focuses on particular market segment and offers quality products and services of superior value to satisfy its clients. The focus is majorly an high net worth clients, large corporations and high commissions and embassies. Based on the findings It was also found out that strategic alliance developed by CBA is helping it gain competitive advantage in the market given very few banks accept to process payments of exotic currencies. CBA therefore has a chance to grow its clients base.

### **5.3 Conclusion**

The Kenyan banking sector continue to remain competitive forcing all players to develop key strategies which are vital to sustain competitive advantage in order to attract and retain customers.

The study based on the findings, concludes that CBA has adopted various strategies which has enabled it position itself among the top tier banks in Kenya. These strategies includes product differentiation, focus strategy, strategic alliances and continous employees training and development.

### **5.4 Recommendation**

Based on the findings, the study makes the following recommendations to the various people:

#### **5.4.1 Policy Makers**

The study recommends Commercial Bank of Africa policy makers to review its policy on strategic alliances to include other embassies and high commissions in business transactions. This will help maximize on its client base mainly embassies and high commissions through strategic alliance where CBA can be able to offer some services to embassies on their behalf, such as visa payment processing/remittance to be done at CBA , reconciliation of Visa payment accounts. CBA to charge customers for such services and commissions shared between CBA and the high commission. This will be of mutual benefit and CBA will benefit immensely from commissions earned.

The study further recommends review of focus strategy to venture in other markets in countries such as Rwanda to tap the high net worth clients, embassies and high commissions. This will earn Commercial Bank of Africa a high client base not only in Kenya but in neighboring countries as well and would eventually lead to increased revenue from the business transactions.

#### **5.4.2 Management Team**

During the study, it was noted system downtime has been a major concern for customers using CBA products such as Mshwari and CBA loop. The study recommends management to consider enhanced system upgrade and effective system monitoring to ensure system defects are controlled and in case noticed, are mitigated within a very short time.

It was established CBA mainly focus on large corporations, NGOs among others. The study recommends CBA management to enhance client relationship management and attract subsidiaries of such corporations and NGOs operating in other East African countries where CBA has regional operations. This will increase market share and presence for the entire CBA group.

#### **5.5 Limitations of the study**

The study faced the limitations of time where the respondents who are CBA senior management team, only gave a few minutes to be interviewed therefore the research didn't have adequate time from their busy schedule to respond to the interviews which proved to be difficult but finally managed to get the necessary information from them. The study was also limited given the respondents might have been confidential hence not willing to disclose some information sought from them. To counter this, the researcher



assured them that the study was only for academic and the information provided will be confidential.

### **5.6 Suggestion for further Study**

This study established that strategic alliance is vital as part of increasing client base and profit maximization whenever two entities come together for mutual interest. This has been the case of strategic alliance between CBA and JP Morgan Chase , New York. The study suggest further studies be conducted on the nature of strategic alliances between local banks.

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## **APPENDIX I: LETTER OF INTRODUCTION**

Date.....

Dear Respondent,

### **RE: INTERVIEW FOR ACADEMIC RESEARCH**

My name is Bramwel Aduol, a student of Master of Business Administration at the University of Nairobi. I am carrying out a study on Competitive Strategies Adopted by the Commercial Bank of Africa Ltd (CBA) for Market Leadership in the Kenya Banking Sector.

I am kindly requesting you to participate as a respondent to this study. The information provided will be strictly confidential and will be used for academic purposes only.

Yours Faithfully,

Bramwel Aduol

## **APPENDIX II: INTERVIEW GUIDE**

### **SECTION I: GENERAL INFORMATION**

1. Which department/branch do you work at?

2. What is your current title at work?

3. How long have you worked at CBA?

i) Less than a year

iii) Between 6-10 years

ii) Between 1-5 years

iv) Over 10 years

### **SECTION II: COMPETITIVE STRATEGIES AND INDUSTRY POSITIONING**

1. What are some of the competitive strategies employed by CBA in the banking sector?

2. Briefly explain effect of each strategy identified.

3. What are some of the performance achievements since adoption of such strategies?

4. Commercial Bank of Africa Ltd recently launched a new product called Loop. Has this helped CBA to position itself in the banking industry? Briefly explain.

5. Is there other product/service that CBA offers that has offered it competitive advantage?

6. Commercial Bank of Africa Ltd majorly focuses on a certain niche of the market, High Net-Worth clients. Has this affected its performance in the market? Briefly explain.

7. As an employee of CBA, are you motivated by your employer? What motivates you most?

8. What is the current position of CBA in the banking Industry in relation to other banks?

9. Has the strategies mentioned above helped CBA in the current industry positioning?

Any other Comment

Thanks for your cooperation.

