

**CHALLENGES FACING PESAPOINT LIMITED IN THE
IMPLEMENTATION OF COMPETITIVE STRATEGIES AS A
THIRD PARTY ATM NETWORK IN KENYA**

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DECLARATION

I hereby declare that this project is my original work and has not been presented for a degree award in any other institution or university.

Signature_____ Date_____

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D61/61567/2010

This research project has been submitted for examination with my approval as the University of Nairobi Supervisor.

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DEDICATION

I would like to dedicate this study to my wife Ruth Wanjiru and my daughter Stacy Njoki for their moral support, counsel and above all love. For that I say thank you very much and I am passionate about you two.

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ABBREVIATION AND ACRONYMS

ATM:	Automated Teller Machine
CBK:	Central Bank of Kenya
EFT:	Electronic Financial Technologies
GE:	General Electric
ICT:	Information and Communications Technology
ISP:	Internet Service Provider
JCB:	Japan Credit Bureau
KPOSB:	Kenya Post Office Savings Bank
MPESA:	Mobile Pesa (Money)
VPN:	Virtual Private Network

ABSTRACT

The main aim of this study is to investigate challenges faced by PesaPoint limited in implementation of its competitive strategies as a third party ATM network in Kenya. The study reviewed other studies on strategic management, competitive strategy, strategy implementation and finally on competitive strategy implementation challenges. Challenges that occur during the implementation process of competitive strategies are an important area of research because even the best strategies would be ineffective if not well implemented. This study was conducted through a case study and it is considered suitable as it allows an in-depth study of the subject .The study used primary data collected from key informants through interviews and it involved top level management of the organisation. The data was qualitative in nature and therefore, content analysis was used to analyse the data. The study found that competition in the catchment areas of third party ATM network in Kenya is quite stiff. It was clear from the study that strategic responses to implementation of competitive strategy in the market included provision of high quality services, providing superior customer service and use of latest technology. The researcher concluded that the competitive strategies adopted by PesaPoint limited in response to changes in the market were offering high quality services, providing superior customer service, offering services not offered by competitors, introducing new services to the market, and the use of latest technology. The study provides useful information for decision making to the various stakeholders in policy, theory and practice. It will help the management of PesaPoint in understanding the challenges to the implementation of its competitive strategies and possible solutions to those challenges. The CBK will also find the study useful in guiding formulations and review of policies in the industry that will affect third party ATM's network in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy which is a fundamental management tool in any organisation is a multi-dimensional concept that various authors have defined in different ways. It is the match between an organization's resources and skills and the environmental opportunities as well as the risks it faces and the purposes it wishes to accomplish (Thompson and Strickland, 2003). It is meant to provide guidance and direction for the activities of the organization. Since strategic decisions influence the way organizations respond to their environment, it is very important for a firm to make strategic decisions and define strategy in terms of its function to the environment. The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearce and Robinson, 2007).

According to Alexander (1985), the most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems surfacing that had not been anticipated, in addition uncontrollable factors in the external environment had an adverse impact. Based on empirical work with 93 firms he observed that senior executives were over optimistic in the planning phase and it is noteworthy that the first two issues which occurred most frequently in Alexander's study are planning issues. He also found the

effectiveness of coordination of activities and distractions from competing activities inhibited implementation, in addition key tasks were not defined in enough detail.

Reed and Buckley (1988) discuss problems associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures and due to their size and the game playing associated budget setting “it is possible for the planning intent of any resource redistribution to be ignored” (Reed and Buckley, 1988)

1.1.1 Competitive Strategies

Strategy refers primarily to business strategy which specifies how a business unit will achieve and maintain competitive advantage within an industry. A strategy is therefore a plan that a firm adopts to gain competitive advantage. In order to achieve a competitive advantage, firms are required to make strategic choices about the type of competitive advantage they seek to attain and the scope within which it will attain it (Porter 1980). Strategic choice decisions that a firm can pursue to achieve competitive advantage for growth may broadly be categorized into intensive, defensive, joint venture and a combination of strategies David (2003). Depending on the competitive environment firms choose strategies that are able to give them sustainable competitive advantage.

Intensive strategy involves the internal growth of the concern within its existing corporate structure. It is also known as growth through aggregation. The management of a firm may decide to grow through expansion of scale of operations in order to attain optimum size. The firm will achieve many economies in purchasing, production, financing, marketing and management (Johnson and Scholes, 2002).

Defensive strategies arise out of the desire by an organization to be secure and have a stable niche in the market place. Defensive strategies may be in form of retrenchment, divestiture or liquidation; retrenchment entails pruning product lines, closing non-performing businesses, auctioning process and staff reduction with the aim of reducing costs and focusing on profitability (Johnson and Scholes, 2002). A firm should utilize this strategy when it has a lead in the market so as to protect the market share.

Joint Venture two or more companies form a temporary partnership or consortium for purpose of capitalizing on some opportunity. Joint venture is a popular strategy that occurs when two or more companies form a temporary partnership or consortium for the purpose of capitalizing on some opportunity. Other types of cooperative arrangements include research and development partnerships, cross-distribution agreements, cross-licensing agreements, cross-manufacturing agreements, and joint-bidding consortia (Johnson and Scholes, 2002).

1.1.2 Strategy Implementation Challenges

Successful strategy formulation does not guarantee successful strategy implementation. It is always more difficult to do something, that is, strategy implementation, than to say you are going to do it, that is, strategy formulation (David, 2003). In all but the smallest organizations, the transition from strategy formulation to strategy implementation requires a shift in responsibility from strategists to divisional and functional managers. According to David (2003), implementation challenges can arise because of this shift in responsibility, especially if strategy - formulation decisions come as a surprise to middle and lower-level managers therefore making a challenge to the organisation.

Challenges that occur during the implementation process of a strategy are an important area of research because even the best strategy would be ineffective if not implemented successfully. Despite the fact that challenges to successful strategy implementation have not been widely investigated, there are some issues that have surfaced in many studies (Muthuiya, 2004). Al-Ghamdi (1998), claims that the overwhelming majority of the literature has been on the formulation side of the strategy and only lip service has been given to implementation side.

The most important problem experienced in strategy implementation in many cases is the lack of sufficient communication. Aaltonen and Ikavalko (2001) state that the amount of strategic communication in most of the organizations is large, both written and oral communication is used in form of top down communications. However, a great amount of information does not guarantee understanding and

there is still much to be done in the field of communicating strategies. According to Wang (2000), communication should be two-way so that it can provide information to improve understanding and responsibility, and to motivate staff.

Before any strategy can be implemented, it must be clearly understood. According to Byers (1996), clear understanding of a strategy gives purpose to the activities of each employee and allows them to link whatever task is at hand to the overall organization direction. Aaltonen and Ikavalko (2001), asserts that lack of understanding of a strategy is one of the obstacles of strategy implementation. They point out that many organizational members typically recognize strategic issues as important and also understand their context in generic terms. However, the problem in understanding arrives when it comes to applying strategic issues in the day-to-day decision making.

Al-Ghamdi (1998) identified barriers to strategy implementation which include; competing activities that distract attention from implementing the decision; changes in responsibilities of key employees not clearly defined; problems requiring top management involvement not communicated early enough; key implementation tasks and activities not sufficiently defined; information systems used to monitor implementation are inadequate; overall goals not sufficiently understood by employees; uncontrollable factors in the external environment ; and implementation taking more time than originally allocated.

1.1.3 Third Party ATM Networks in Kenya

Third party networks are the middle men or machinery between producers and their customer. They typically have contracts with a producer to take over whatever is produced in a certain factory during a certain time window and to provide all customers with the goods that they require (Saunders and Cornett, 2007). In that way, third party logistic providers relieve both the customer and the producer from keeping large inventories to balance fluctuations in production and demand. Simultaneously, the third party logistic provider assumes the distribution risk, both in terms of aggregating shipments from and to different sources and for delays in the actual deliveries. ATM connection or site-to-site VPN from the Third Party parent network to the GE internal network leveraging existing ISP Internet connectivity is acceptable (Saunders and Cornett, 2007).

The third party companies just run the ATM network along with the branding and ownership of the ATM. The banking officials say that the debate around it has been going on for over two years now. But finally, CBK has made a favorable decision for banks by which banks can reduce costs by not making capital investment in setting up a large-scale ATM network (Saunders and Cornett, 2007). Banks are keen that ATMs are seen as more than just cash-dispensing machines. A considerable number of regulatory interventions aimed at bolstering the new-age payment framework have pertained to ATMs. Consequently, the usage of ATMs is reported to have gone up. "Post the changes in the regulation on ATM usage.

Third party ATM (Automated Teller Machine) network in Kenya with locations in towns, with the goal of extending the reach of financial services by providing Kenyans access to transactional infrastructure in urban, peri-urban and most importantly rural areas. Third party ATM currently provides acquiring for financial institutions as well as Visa, Mastercard, Amex and JCB as well as providing value added services such as prepaid purchases of airtime and bill payments. Third party can set up the ATM network for banks; the ATMs themselves are required to be owned by banks. The ATMs are also required to be branded by banks therefore banks will no longer need to own and run their own ATMs with the Central Bank of Kenya finally agreeing to banks' demand to allow companies set up third party ATM networks. The banks must become member of the third party network for their customers to access the services.

Third parties ATM's services or sometimes known as retail transactions switching is relatively new in Kenya. There are three dominant retail transactions switches, Visa, Kenswitch and PesaPoint Limited. Visa is currently used by the larger ATM infrastructure providers. Kenswitch provides switching to smaller financial institutions such as KPOSB Where else PesaPoint Limited takes the smaller banks through Kenswitch as well as the larger banks and also allow Visa transactions on their ATM's .

1.1.4 PesaPoint Limited

In March 2005, PesaPoint was founded with the vision to provide Kenyans easy access to their funds wherever and whenever they required it by providing convenient

ATM locations countrywide. PesaPoint Limited is a private company registered in Kenya. It is part of the larger Paynet Group which comprises Paynet Kenya Limited, Electronic Financial Technologies (EFT) Kenya Limited and Paynet Zimbabwe Limited. PesaPoint concept was birthed upon the realization that there was an opportunity within the market, and far too few Kenyans enjoyed ready access to their cash through ATM services either because their banks did not offer ATM's or they were only placed in a few locations. Today, through the integration of financial institutions, the PesaPoint network has grown to over 500 ATM's countrywide where Kenyan's may easily and conveniently withdraw cash, pay bills, access their MPESA accounts, inquire about their bank balance, and so much more. The simple vision was to provide all banked Kenyans easy access to their funds wherever and whenever it was required whilst at the same time encouraging more Kenyans to bank by providing relevant and convenient ATM locations (PesaPoint, 2012).

The strategy of the business has been to maximize the use of one infrastructure for multiple financial institutions, which will provide economy of scale particularly in marginal yet important areas and yet give the Financial Institutions an opportunity to provide ATM services to their customers while still concentrating on their core business. PesaPoint is determined to continue offering ATM services by providing the widest acceptance possible to locally and foreign issued cards. This has been made possible with the acceptance of internationally renowned brands MasterCard, JCB, American Express and Visa cards on the network. The services have been extended to bring all the ATM's together through a new service called PesaConnect. This service will allow all the banks to share ATM facilities at no addition costs to the customers.

1.2 Research Problem

The unpredictable nature of today's environment makes strategy implementation more difficult and complex (Harvey, 1998). Research carried out in this area (Mintzberg & Quinn; 1991; David, 2003; Wang, 2000) indicates an implementation failure rate of over 65% in organizations. In the world of management, increasing numbers of senior people are recognizing that one of the key routes to improved business performance is better implementation (Hambrick and Cannella, 2003). However, at the same time, it is also understood that implementation is one of the more difficult business challenges facing today's managers (Drazin and Howard, 2002).

Competitive strategy implementation is a serious problem in many companies and third parties ATM Networks are not exempted. The problem is illustrated by the unsatisfying low success rate (only 10 to 30 percent) of intended strategies (Raps and Kauffman, 2005). The primary objectives are somehow dissipated as the strategy moves into implementation and the initial momentum is lost before the expected benefits are realized. Successful implementation is a challenge that demands patience, stamina and energy from the involved managers therefore ATM network along with the branding and ownership of the ATM may see strategy implementation as a ascribed to several reasons, among them: greater likelihood of failures in implementing strategies; higher complexity in the process of strategy implementation; strategy implementation being considered to be less glamorous than formulation; and practical difficulties in research involving middle level managers.

Local studies have been done on the challenges of strategy implementation. For instance, Kiptugen (2003) did a study to determine the strategic responses of Kenya Commercial Bank to a changing competitive environment. Since she focused mainly on strategies that can be adopted in a competitive environment; the study failed to cover the processes involved in strategy implementation and challenges in the implementation phase. Muturi (2005) on the other hand did a study to determine the strategic responses of Christian churches in Kenya to changes in the external environment. Most of the studies have concentrated on private sector with a lot of focus on banks and manufacturing firms. In the tourism industry, studies have been carried out by Awour (2006) and Kariuki (2006), Kithinji (2005) examined the factors affecting implementation of government strategies in agriculture to reduce poverty specifically in Meru Central District. Mbeche (1993) looked at the strategic management of Kenyan agricultural projects with emphasis on the options for the effective involvement of operational research / management science methodology. The finding of all the above researches has shown that strategy implementations are enormous challenges that organizations have to manage efficiently and effectively to achieve their strategic intent.

No known study has been done on challenges facing PesaPoint limited in implementation of its competitive strategies as a third party ATM network in Kenya. The interest in the study has been inspired by the existing knowledge in addition to the current literature which is biased towards developed nations, creating further a gap in emerging economies and their unique needs. Competitive strategy implementation will therefore continue to attract attention because it plays a central role in the overall success of organizations today be they small or large, profit or non-profit making and

even government institutions worldwide. What are the challenges facing PesaPoint in implementation of its competitive strategies and what are the measures taken in coping with the arising challenges?

1.3 Research Objective

The objective of this study was to investigate challenges faced by PesaPoint limited in implementation of its competitive strategies as a third party ATM network in Kenya and suggest possible solution to the identified challenges.

1.4 Value of the Study

The findings from the study will particularly be useful in providing additional knowledge to existing and future institutions on challenges to competitive strategy implementation and provide information to potential and current scholars on strategic in Kenya. This will expand their knowledge on competitive strategy implementation in Information technology and banking industry and also identify areas of further study. The study will be a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies. The study will also highlight other important relationships that require further research; this may be in the areas of relationships between successful strategy implementation and firm's performance.

The debate on the use of research results for policy decision-making and implementation processes is not new and the issue has gained greater prominence in recent decades. This follows the major processes of world change that increasingly call for concrete evidence to support or challenge the innovations that are implemented in a variety of contexts, including third parties ATM network policies. In the recent past PesaPoint has hosted two visits from the Central Bank of Kenya, the first from Central Bank of Guinea and the second from with the Reserve Bank of Malawi. During the visits PesaPoint demonstrated how a third party company can provide innovations by successfully working with financial institutions and creating a close link with the regulators (Matthewman, 2012). The research study can be valuable tool to the Central Bank of Kenya in understanding the challenges that are faced by the third party ATM Networks and therefore guide in policy formulation.

Most importantly the findings of this study will help in enlightening the key decision makers in PesaPoint toward policies formulation and on how to successfully implement their strategies and how they could purpose to mitigate the challenges facing it. The study will in addition to the above, be useful to stakeholders, financiers, and investors in formulating and planning areas of intervention and support.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter shall review the literature available on challenges facing strategies implementation. The first section shall present the theoretical framework on strategic management while the second will focus strategic implementation. Empirical studies in these areas shall also be reviewed.

2.2 Competitive Strategies

A firm positions itself by leveraging its strengths. Porter (1980) has argued that a firm's strengths ultimately fall into either of two categories which are cost advantage and differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result. These are cost leadership, differentiation, and focus. These strategies are applied at the business unit level. The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. They are called generic strategies because they apply across all industries.

A cost leadership strategy is one in which a firm strives to have the lowest costs in the industry and offer its products or services in a broad market at the lowest prices (David, 2003). Characteristics of cost leadership include low level differentiation, aim for average customer, use of knowledge gained from past production to lower production costs, and the addition of new product features only after the market demands them. Cost leadership has advantage. The strategy protects the organization from new entrants. This is because a price reduction can be used to protect from new entrants. However, the risk of cost leadership is that competitors may leap from the technology, nullifying the firms accumulated cost reductions (Porter, 1980). Other competitors may imitate the technology leading to firm's loss of its competitiveness.

Differentiation strategy is one in which a firm offers products or services with unique features that customers value. The value added by the uniqueness lets the firm command a premium price. The key characteristic of differentiation strategy is perceived quality (Stock, 1999). This may be through superior product design, technology, customer service, dealer network or other dimensions. The advantage of differentiation is that perceived quality and brand loyalty insulates company from threats from any of the forces that determine the state of competition in an industry.

Focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than the competitors. Focus strategy can be either a cost leadership or differentiation strategy aimed towards a narrow, focused market. The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation (Porter, 1980). The premise is that the needs of the group can be better serviced by focusing entirely on it.

A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to sell at a premium to customers since close substitute products do not exist (Porter, 1980).

2.3 Strategic Management

Good strategic management requires both clear thought and sound judgment. Strategic management is the formal and structured process by which an organization establishes a position of strategic leadership. Strategy development is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives.

Historically, numerous researchers in strategic management bestowed great significance to the strategic formulation process and considered strategy implementation as a mere by-product or invariable consequence of planning (Wind and Robertson, 1983). Fortunately, insights in this area have been made recently which temper our knowledge of developing strategy with the reality of executing that which is crafted (Olson, Slater and Hult, 2005).

2.4 Strategy Implementation

Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve objectives. The environmental conditions facing many firms have changed rapidly. Today's global competitive environment is complex, dynamic, and largely unpredictable. To deal with this unprecedented level of change, a lot of thinking has gone into the issue of how strategies are best formulated. Strategic management is about managing the future, and effective strategy formulation is crucial, as it directs the attention and actions of an organisation, even if in some cases actual implemented strategy can be very different from what was initially intended, planned or thought.

The fatal problem with strategy implementation is the de facto success rate of intended strategies. In research studies it is as low as 10 percent (Judson, 1991). Despite this abysmal record, strategy implementation does not seem to be a popular topic at all. In fact, some managers mistake implementation as a strategic afterthought and a pure top-down-approach. Instead, management spends most of its attention on strategy formulation. Research emphasizing strategy implementation is classified by Bourgeois and Brodwin (2004) as part of a first wave of studies proposing structural views as important facilitators for strategy implementation success. Beyond the preoccupation of many authors with firm structure, a second wave of investigations advocated interpersonal processes and issues as crucial to any marketing strategy implementation effort (Noble and Mokwa, 1999). Conflicting empirical results founded upon contrasting theoretical premises indicate that strategy implementation is a complex phenomenon.

A company's organizational structure maps out roles and responsibilities along with reporting relationships (Hill and Jones, 2001). It refers to the shape, division of labor, job duties and responsibilities, the distribution of power and division-making procedures within the company, which influences the types of strategy used by an organization (Okumu, 2003). It is a formal framework by which jobs tasks are divided, grouped and coordinated (Robbins and Coulter, 2002). Organizational structure helps people pull together their activities that promote effective strategy implementation. The structure of an organization should be compatible either for the structure or the strategy itself (Koske, 2003). However, Mintzberg and Quinn (1991) argue that the central problem in structuring today is not the one on which most organization designers will spend their time by dividing of tasks. It is one of emphasis on how to make the whole thing work.

2.5 Competitive Strategy Implementation Challenges

Challenges that occur during the implementation process of competitive strategies is an important area of research because even the best strategies would be ineffective if not well implemented. Despite the fact that challenges to successful strategy implementation have not been widely investigated, there are some issues that have surfaced in many studies (Muthuiya, 2004). The most common challenges to competitive strategy implementation as discussed below;

Resource insufficiency is a common strategy implementation challenge. This is as a result of lack of resources which include financial and human or indivisibility of resources. Established organizations may experience changes in the business

environment that can make a large part of their resource base redundant resources, which may be unable to free sufficient funds to invest in the new resources that are needed and their cost base will be too high (Johnson and Scholes, 2002).

Changes do not implement themselves and it is only people that make them happen (Bryson, 2005). Selecting people for the key positions by putting a strong management team with the right personal chemistry and mix of skills is one of the first strategy implementation steps (Thompson and Strickland, 1997). They point out that assembling a capable team is one of the cornerstones of the organization-building task. Strategy implementation must determine the kind of core management team they need to execute the strategy and then find the right people to fill each slot. Staffing issues can involve new people with skills (Hunger and Wheelen, 2005).

Awino (2001) identified four problems areas affecting successful strategy implementation. He cited lack of fit between strategy and structure; inadequate information and communication systems; and failure to impart new skills. Koske (2003) observes that there are many organizational characteristics, which act to constrain strategy implementation. He identified most challenges as concerning connecting strategy formulation to implementation; resource allocation; match between structure with strategy; linking performance and pay to strategies; and creating a strategy supportive culture.

Whilst the strategy should be chosen in a way that it fits the organization structure the process of matching structure to strategy is complex (Byers, 1996). The structure that served the organization well at a certain size may no longer be appropriate for its new

or planned size. The existing structure and processes in the organization support in different ways, there is likely to be problems should the existing structures be used to implement the changes (Meldrum and Atkinson, 1998). The current structures may as well distort and dilute the intended strategy to the point where no discernible change takes place. According to McCarthy (1986), creating that structure for managers is the selection of the organization structure and controls that will implement the chosen strategies effectively.

Cultural impact under estimation is yet another challenge to strategy implementation. The implementation of a strategy often encounters rough going because of deep rooted cultural biases. This causes resistance to implementation of new strategies especially in organizations with defensive cultures. This is because they see changes as threatening and tend to favor “continuity” and “security” (Wang, 2000). It is the strategy maker’s responsibility to choose a strategy that is compatible with the “sacred” or unchangeable parts of prevailing corporate culture. Creating an organization’s culture, which is fully harmonized with implementation plan, offers a strong challenge to the strategy implementation leadership abilities. Aosa (1992) observes that lack of compatibility between strategy and culture can lead to high organizational resistance to change and demotivation, which can in turn frustrate the strategy implementation.

Strategy is all about managing change. Resistance to change is one of the greatest threats to strategy implementation. Strategic change is the movement of an organization from its present state to toward some desired future state to increase its competitive advantage (Hill and Jones, 2001). The behaviour of individuals ultimately

determines the success or failure of organizational endeavours and top management concerned with strategy and its implementation must realize this (McCurthy, 1986).

Change may also result to conflict and resistance. People working in organizations sometimes resist such proposals and make strategy difficult to implement (Lynch, 2000). Organizational politics is another to strategy implementation. Organization politics are tactics that strategic managers engage in to obtain and use power to influence organizational goals and change strategy and structure to further their own interests (Hill and Jones, 2001). Wang (2000), states that it is important to overcome the resistance of powerful groups because they may regard the change caused by new strategy as a threat to their own power.

According to Wang (2000), communication should be two way so that it can provide information to improve understanding and responsibility and to motivate staff. Also they argue that communication should not be seen as a one-off activity throughout the implementation process. Constant communication ensures team members understand their assignment. However in many cases that does not happen and therefore communication still remains a challenge to strategy implementation process.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a discussion of the outline of the research methodology that was used in this study. It focuses on the research design, data collection methods and comes to a conclusion with the data analysis and data presentation methods that were used in this study.

3.2 Research Design

The study was conducted through a case study. This design is most appropriate for a single unit of study. It is considered suitable as it allows an in-depth study of the subject and offers detailed in depth analysis that gives valuable insight to the phenomenon on challenges facing PesaPoint limited in implementation of its competitive strategies as a third party ATM network in Kenya.

According to Mugenda and Mugenda (2003), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of the study. Yin (1984) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used. The above reasons explain why case study was most suitable approach for the study.

3.3 Data Collection

The study used primary data collected from key informants. To achieve this, an interview guide was used to collect primary data (see appendix 1). The interview was conducted by the Researcher personally. A total of eight senior employees were intended to be interviewed. The study involved top level management, who mainly consist of marketing, human resource, finance, service delivery and technical respectfully.

The interview guide has unstructured questions which were used so as to encourage the respondent to give an in-depth response without feeling held back in revealing of any information. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back.

3.4 Data Analysis

The data was qualitative in nature, due to this fact, content analysis was applied to analyse the data. Mugenda and Mugenda (2003) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. The analysis summarised and quantified the information received giving attention to objectivity, reliability and validity without limitation to the context in which the information was received.

The data was obtained from the various management team members belonging to different departments and compared against each other in order to get more revelation on the issues under study. This research yielded qualitative data from the interview schedules and was analysed using content analysis because the study sorts to solicit data that was qualitative in nature. Analysis of data collected was compared with the theoretical approaches and documentations cited in the literature review.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter provides an analysis of data collected from the field. The results are presented to highlight the major findings. They are presented according to the research objectives of the study. The study targeted senior staff mainly consisting of managing director, human resource, finance, marketing, ICT. However the managing director was not available for the interview but his input was obtained through recorded a replay of his speech to the media on PesaPoint innovations.

4.2 Competitive Strategies

Competitive strategy consists of all those moves and approaches that a firm adopts to attract buyers withstand competitive pressure and improve its market position. The study found out that a firm's strengths ultimately fall into one of two categories, namely: cost advantage or differentiation. By applying these strengths there are three generic strategies result. These are cost leadership, differentiation, and focus of PesaPoint limited. The Company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. To succeed in building a sustainable competitive advantage, PesaPoint limited must try to provide what buyers will, perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for.

The primary determinant of PesaPoint limited profitability is the attractiveness of the industry in which it operates, and secondary is its position within that industry. Even though an industry may have below-average profitability, if the firm is optimally positioned it will generate superior returns. PesaPoint limited positions itself by leveraging its strengths amongst its competitors.

4.2.1 Competition of third party ATM networks in Kenya

The study found out that competition among the third party ATM networks in Kenya was very stiff since every competitor in the market worked toward maximising their market share. The competition brought about a shake-up in the market especially with the synergistic operations between banks and third party ATMs networks where customers of one bank are able to transact on a competitors ATM through a Network switch managed by third party ATMS. Due to the competition, some of the ATM's network such as VISA who previously operated from UK opened an office in Kenya in May 2012 to monitor its network.

The competition resulted to reduction of transaction since the substitute institution like banks offered the same service like third party ATM networks. Some players in the market such as Kenswitch are now lowering prices of their products to attract more banks toward joining their network. Therefore most organisations are experiencing lesser volume of transactions and are forced to increase the advertising and marketing budgets.

4.2.2 Competitive Strategies adopted by PesaPoint limited

The study found out that highly sophisticated technologies and innovation gave the organisation a competitive advantage over competitors. This led to new products in the market to ensure the customers get their cash and pay their bills conveniently. Some of the latest product in the market includes POS (Point Of Sale Services) where people can get cash not only from the ATM's but from a series of agents who includes supermarkets, chemists and restaurants. Other new product includes PesaConnect services which allow different banks to share the same ATM's network (managed by PesaPoint) without additional cost to the customers. For instance a Diamond Trust Bank and NIC Bank are members of PesaPoint; therefore the customers from both banks can share the two banks ATM interchangeably at the same cost as if they were using PesaPoint ATM.

The study also found out that PesaPoint limited provides perfect customer services with a motto that the customer should never call twice complaining on the same issue. The service is provided through a call centre managed by very competitive personnel's operating 24 hours a day.

The interview respondents indicated that PesaPoint limited had a strategic business partnership with commercial banks in Kenya which allowed banks to share a wider PesaPoint ATM network at a reasonable fee thus having a wide spread distribution of their products to all regions in Kenya. This partnership also allowed some of the partner banks to outsource their ATM services to PesaPoint limited.

The study found out that PesaPoint limited uses the most convenience approach as its competitive strategy by mounting of ATMs in areas where banks have failed to access, Wide ATM network especially in areas like upcountry and estates. PesaPoint team was the first company in Kenya to introduce ATM's booth which can be mounted anywhere in the country which is customer convenience at a minimum cost. Another feature of the PesaPoint ATMs that is that they do not capture/retain cards should the customer forget their passwords and therefore customers are never inconvenienced in any way.

Finally, respondents indicated that PesaPoint limited uses cost effective strategies as its competitive strategy aimed at controlling costs by adopting tight control of costs and overhead, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. This will include outsourcing, cheaper transaction alternative for smaller banks as opposed for Visa, value added services like Bill payments, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, R&D and advertising. The associated distribution strategy is to obtain the most extensive distribution possible and has outsourced services from different cash courier companies.

4.2.3 Factors Influencing Competitive Strategies at PesaPoint limited

The study outline factors influencing competitive strategies at PesaPoint limited as indicated by the interviewed managers, these factors include; the essence of competitive strategies is to achieve a competitive advantage over competitors. The managers at PesaPoint limited have realised their objective and role that will add value and are aware of the cost drivers that will lead to sustainable business.

Effective positioning is another factor influencing competitive strategies at PesaPoint limited that is market first means offering a product whose value matches buyer preferences. The product's value as the price a buyer is willing to pay in the absence of competing services and in the context of other purchasing opportunities. At a higher price, the customer will simply not use the service. Thus, in the absence of fraud or extortion it is the customer, not the seller who will determines the value of the service.

Dedicated human resources and highly skilled technical staff mostly poached from other banks, acceptability of PesaPoint services by the market and finally the management positive attitude and adaption of the open door policy has influenced the organisation to competence to great extent. Delivering value at a cost that consistently produces profitability above the industry average depends on the firm's resources and capabilities. A resource is a relatively stable, observable asset, such as a brand or geographical location, which contributes to the firm's performance. The greatest asset of the organisation is the ability in using its organization and people resources, to accomplish tasks at a high level of expertise continuously over time. One

example is reducing costs through superior learning as volume of transaction increases. These capabilities are developed and maintained through the coordinated efforts of the firm's employees and are impossible to trade without selling the whole company or at a minimum the units containing the capability.

To defend its competitive advantages from erosion by industry forces, a successful PesaPoint limited must prevent rivals from copying its core assets and practices and must induce customers not to switch to comparable or substitute products. Firms employ a variety of means to protect their resources, capabilities and customers from competitors. These "isolating mechanisms" range from exercising property rights to maintaining a high rate of innovation to increasing customer satisfaction by searching for new products to serve their needs.

4.3 Strategy Implementation PesaPoint limited

The study found that implementing strategies successfully at PesaPoint limited is about matching the planned and the realizing strategies, which together aim at reaching the organizational vision. The components of strategy implementation communication, interpretation, adoption and action are not necessarily successive and they cannot be detached from one another. Strategy implementation is less glamorous than strategy formulation and therefore people overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends.

The respondents were asked to highlight how PesaPoint limited maintain a policy manual and how to implement the strategies. The respondent indicated that there are policies to guide staff in the strategy implementations and these policies laid down process maps that have to be developed as a guide on how the strategies will be implemented. The respondent also indicated that manuals do not indicate how the policy is to be implemented but just acts as a guide to strategy implementation. The issue of policy documentation was unanimously confirmed. The results indicate that policies are reviewed regularly. In the past, the review was after every 6 months but the recent addition human resources in the organisation have changed the review to quarterly reviews. The frequent updates and review of strategy is necessary in any financial year because of the very dynamic industry in terms of technology and innovations as well as competition.

The interviewees indicated that PesaPoint limited go about implementing the chosen strategies through participation by all head of departments whose operations will affect or be affected by the strategies. The organisation also dedicates specific human resources in marketing to ensure the best ATM locations are sourced at the most competitive prices. The interviewees indicated implementing strategy is the connecting loop between formulation and control. The respondents stated that strategy implementing is a process in which all planning and budgetary activities, policies and procedures follow the defined strategy. It may involve some changes in organizations culture, structure as well as managerial systems. Implementation of strategies is also called practical strategic management. The purpose of implementing strategies is that managers and employees collaborate to perform formulated strategic planning. Staff motivation is ensured at PesaPoint so as to implement competitive strategies.

The study identified that employees are supportive to the policy development and implementation of competitive strategies at PesaPoint that is though; the organisation has invested in it staff and therefore in return the staff are very supportive. Also the management attitude of open door policy has increased the staff response and confidence, commitment and participative of employees in ensuring that the company remains competitive. The employees provide ideas and innovations from past experience in the banking industry and PesaPoint has staff with technical know-how on how to develop and implement good ideas. It was also noted that most employees were poached from successful banks and therefore were more experienced.

The study identified that board of directors are very supportive to the policy development and implementation of competitive strategies at PesaPoint in the following ways; The board of directors finances the organisation and therefore they are key to strategy implementations, The board of directors are supportive to the PesaPoint management team through providing financial and other forms of support that give management confidence. The board of directors also set the organisation strategies which are in line with the goals and missions of the company

The study also identified that the management are supportive to the policy development and implementation of competitive strategies at PesaPoint in the following ways; Ensure open door policy, Management must understand the board's mission and vision of PesaPoint in order to implement products and services that support and lead to the achievement of these goals, Staff motivation through training, Top management support, Providing resources to develop and implement the strategies and Participation in policy development and implementation.

4.4 Competitive Strategy Implementation Challenges

The interviewees indicated that they face many challenges while implementing the competitive strategies adopted by PesaPoint limited in Kenya. The challenges include underestimated timelines and thus most of the implementers have a deadline that is merely an approximation date which ignores the occurrence of unexpected developments. According to some interviewees, the organisation experiences delays from external business partners in providing the expected support in time.

Challenges that surfaced during strategy implementation that had not been anticipated were said to include political turbulence ,internal staff politics with tendency of staff trying to out shine each other and therefore the process delays in the strategy implementation, group supporting the strategic decision leaving the organization during implementation, change of guiding policies by umbrella bodies e.g. CBK, system breakdown, low or underestimated budget allocation and underestimation of the commitment, time, emotion, and energy needed to overcome inertia in their organization and translate plans into action.

Other factors in the external environment that had an adverse impact on competitive strategy at PesaPoint limited were indicated by the interviewees as increasingly sophisticated customers and management expectations, escalating globalization, more prevalent and subtle product differentiation, credit crunch, political environment, breakneck competition from other ATM services providers.

The interviewees indicated that some of competing activities that cause distractions inhibiting competitive strategy include too many conflicting priorities, advertisement and promotions, well versed customers, door to door sale and the banks trying to cope with competition in the industry hence losing perspective of its strategy. The interviewees further indicated the challenges posed by the inadequacy of information systems used to monitor competitive strategy implementation include the implementers not knowing how effective the change management has been, may lead to loss of opportunities, lack of timely feedback and false report on progress and consequently ultimate failure.

Some interviewees indicated that PesaPoint limited sometimes lack of well laid policies make it difficult to implement the chosen strategies. The guideline is not sufficiently defined and gives room to incorrect decision making. The study also indicated that lack of sufficient human capital to spearhead the entire required project and ensure smooth implementation of strategies.

The interviewees indicated that they faced challenges of criticism, lack of cooperation, strategy failure and competitive strategy implementation delays. Lack of ownership or coordination in competitive strategy implementation was also highlighted by the interviewees. All departments are required to ensure the strategies are well implemented but no specific department owns the project. The interviewees, on the impact of poor communication and diminished feelings of ownership and commitment by employees to competitive strategy implementation, said that it resulted to delayed results, wastage of resources, loss of business, and rejection of the strategy, demotivation and lack of commitment to new ideas.

The study found out that there was financial constrain i.e. lack of sufficient resources to implement the chosen strategies. Financial resources are needed to purchase the ATMs, rent costs, security costs etc. and this services requires a lot of financial resources which are out of reach.

According to the interviewees, other challenges faced in competitive strategy implementation at the PesaPoint limited include poor planning, lack of support, non-involvement, inadequate knowhow on the key stages, poor coordination, poor communication, unclear strategic intentions, conflicting priorities, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, competing activities and uncontrollable environmental factors.

4.5 Solution to Implementation Challenges

The study identified solution to challenges facing PesaPoint in competitive strategy implementation. The Creation of a new department in charges of risks and project ensured coordination of all the strategic implementation projects and resource allocation.

The interviews indicated the need for proper financial management to ensure unnecessary costs are eliminated and increase the marketing budgets as a solution to the challenge of financial constraint. Staff training is of importance in working together with the overall organization goals and finally the shareholders commitment to continue financing the organization in its implementation of chosen strategies.

The researcher further asked the interviewees to suggest the possible solutions to the challenges in implementation of competitive strategy at PesaPoint limited. According to the interviewees, the solution to the problems include continuous training on how the strategy should be implemented; involvement of staff in decision making, consider piloting before rolling it out to everyone, appraise achievements, sharing responsibility, efficient communication and having clear and defined process flow.

The study found that the board members were committed in providing financial resources to support implementation of the chosen strategic the organisation is also expected to ensure they generate sufficient resources to undertake the chosen strategies. PesaPoint limited is a high capital investment business in terms of ATMs, technology and licences. It would not succeed without a lot of financial support from the board members

Board of directors and employees in support of the strategic initiatives of the organisation is outline in the following ways; everyone is keen so see the organisation make profit. This guarantees the end of year bonus and annual salary increase to staff. Employees want the company to succeed so that they earn good salaries, retain their jobs and feel a sense of belonging to a successful company. The board is motivated by the need to make profits from this business. Open door policy system such that an employee can walk in and propose an idea to the management.

Current organization structure to support the implementation of competitive strategy in the following ways; The organizational structure has to be reviewed periodically to fit in with current market demands- where there is need for re-engineering; PesaPoint

has not shied away from ensuring it keeps up with competition. Current structure is good for the strategy implementation but a need to bring ownership or coordination of the structure has required. However with the recent introduction of new department of risk and project management may bring the coordination that was missing within the organisation.

The current level of the available human resource is good however for effective implementation of new strategies, addition staff are required and also the re training of the current employees therefore PesaPoint has grown from a small organization when its service offering was low to over 5 times its original size because of increased products services and other market requirements. The human capital is well equipped with technical knowhow and experience to manage the systems. Training is offered to employees in areas where a new strategy is ready for implementation. This should be done through encouraging innovations by rewarding ideas to employees

4.6 Discussion of the findings compared to Literature Review

The study collates with the literature on the theories of management ability, or competence, in achieving successful competitive strategies. The study found that the management should be competent so as to ensure good strategy objective setting, achieve strategic awareness, manage resistance to competitive strategies , giving a clear guidance, sustain vigorous competitive strategies efforts, align structure to strategy, envision change for future competences and critically assess current strategy. The researcher further found that senior managers, departmental heads and other lower level employees are involved in competitive strategies process at the PesaPoint

limited but the middle level managers play the pivotal role in the implementation. Therefore the study found that involving all level of employees in the organisation helped to reduce resistance to change and encouraged employees to champion and own the change. Effectiveness of competitive strategies is, at least in part, affected by the quality of people involved in the process (David, 2003).

On initiatives taken by management in creating and sustaining a climate within the firm that motivates employees in their implementation role, the researcher found that the management has taken initiatives that include encouraging teamwork, maintaining a powerful culture that results in employees aligning their individual goals and behaviours with those of the firm, continuous this is supported by Johnson and Scholes, (2002) by stating that circumstance and resources differ, clientele and relationships are unique, cultures differ, and their aims, objectives and very ambitions may be different. Staff training and development, implementing reward and benefits systems including frequent recognition given in less formal ways, ensuring a conducive working condition by focusing on relations between peers through effective staff meetings that allow opportunities for discussion and interaction and proper communication motivates the employees.

Relating to the role of communication in the process of competitive strategies , the researcher found that proper communication of strategic awareness can act as a cohesive force and succeed in connecting those with ultimate responsibility for organisations with those who directly implement policies at the sharp; communication is pervasive in every aspect of competitive strategies , and it is related in a complex way to organising processes, organisational context and implementation objectives

which, in turn, have an impact on the implementation process and also enhances timely feedback on the progress and challenges met in the process of competitive strategies . The researcher also found that effective communication throughout the organisation led to a clear understanding of key roles and responsibilities of all stakeholders including middle managers, whose role is often pivotal and ensures that everybody understands success levels at all times. This collates with earlier findings by (Wind and Robertson, 1983) that organizational environment is nowadays also confronted with many changes due to increasing and worldwide competition, technological advances and demanding customers.

Porter (1980), states that planned approach puts too much emphasis on managers and their ability to control the outcomes of competitive strategies relates to the impact of management development programmes/training on effective competitive strategies. This was found true at PesaPoint limited where the researcher found that training instils to the employees a set of management competencies which it is hoped will deliver better competitive and commercial practice; Staff training is an important contributor to individual and group motivation; training can increase staff involvement in the organisation, improve communication between peers; facilitate competitive strategies, eliminates confusion since everybody understands his or her role.

On the effect of early involvement of firm members in the strategy process on successful competitive strategies, the study found that early involvement of firm members in the strategy process helped members understand super-ordinate goals, style, and cultural norms and thus become essential for the continued success of a

firm competitive strategy. It also prevented them from being taken by surprise, puts all members at the same platform, and helps the employees to own the process thus ensuring better results. Further, early involvement of firm members in the strategic plans and decisions taken by the organisation are essential to their progress and development within their organisational environments. Involving staff in such processes increase their confidence and sense of ownership of competitive strategies which in turn contribute to their personal and professional motivation towards successful competitive strategies. These findings are similar to the ones on previous research by Bourgeois and Brodwin (2004).

On other factors leading to competitive strategies success at the organisation, the research found that factors leading to competitive strategies success include clear aims and planning, a conducive working climate, giving implementation priority, having abundant resources, an appropriate structure and implementing flexibly, organisational structure, control mechanisms, strategic consensus, leadership and positive attitude towards competitive strategies success. This is a clear indication that competitive strategies and the actions that are part of a competitive strategies strategy are unique and specific to a particular organization according to (Byers, 1996).

The research found that the organisation faces the challenge of competitive strategies timings being underestimated and therefore most of the implementers have a deadline that are merely approximation due to the occurrence of unexpected developments and also experience delays by external business partners in providing the expected support in good time. According to Pearce and Robinson (2003), an organizational structure is the division of tasks for efficiency and clarity of purpose, and coordination between

interdependent parts of the organization to ensure organizational effectiveness. In connection to Pearce and Robinson the study found that challenges that surface during competitive strategies that had not been anticipated, the research found that political turbulence was part of the issue facing PesaPoint in implementation process. Other challenges include employees supporting the strategic decision leaving the organization during implementation, competitive strategies guiding policies by umbrella bodies e.g. CBK, system breakdown, low or underestimated budget allocation and underestimation of the commitment, time, emotion, and energy needed to overcome inertia in their organization and translate plans into action.

As stated by Pearce and Robinson, (2003) factors in the external environment that had an adverse impact in competitive strategies at the organisation were found to include increasingly sophisticated customers need and management expectations, escalating globalization, more prevalent and subtle product differentiation, credit crunch, political environment, breakneck competition from other organisations. The research found that some of competing activities that cause distractions inhibiting competitive strategies include too many conflicting priorities and work scheduling, advertisement, well versed customers, door to door sale and the organisation trying to cope with competition in the industry hence losing perspective of its strategy. The research further found the challenges posed by the inadequacy of information systems used to monitor competitive strategies include the implementers not knowing how effective the competitive strategies have been, may lead to loss of opportunities, lack of timely feedback and false report on progress and consequently ultimate failure (Muthuiya, 2004).

On the challenges posed by customers and staff not fully appreciating the strategy on competitive strategies, the research found that they faced challenges of criticism, lack of cooperation, strategy failure and implementation delays. The research, on the impact of poor communication and diminished feelings of ownership and commitment by employees to competitive strategies, found that it resulted to delayed results, wastage of resources, loss of business, and rejection of the strategy, demotivation and lack of commitment to new ideas (Thompson and Strickland, 1997) also writes that resistance is a perfectly legitimate response of a worker.

Challenges caused by ineffective coordination and poor sharing of responsibilities of competitive strategies activities, the research found that they caused challenges of delayed implementation, overworking of some workers, errors of commission, omission and duplication. This is supported by competitive strategies inadequate to describe the diversity of approaches actually used by organizations (Bryson, 2005).

Other challenges faced in competitive strategies at the organisation include poor planning, lack of support, non-involvement, inadequate knowhow on the key stages, poor coordination, poor communication, unclear strategic intentions, conflicting priorities, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, competing activities and uncontrollable environmental factors. The research further found the possible solutions to the challenges of competitive strategies at the PesaPoint limited include continuous training on how the strategy should be implemented; involvement of staff in decision making, consider piloting before rolling it out to everyone, appraise achievements, sharing responsibility, efficient communication, defined and clear process flow.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings as discussed in chapter four and interpretations of the data analysis, conclusions and recommendations based on the findings. The aim of the study was to investigate challenges faced by PesaPoint limited in implementation of its competitive strategies as a third party ATM network in Kenya.

5.2 Summary of findings

The findings indicate that competition in the catchment areas of third party ATM network in Kenya is quite stiff. The main sources of this finding are interviews from PesaPoint limited senior management team. The study reveals that PesaPoint limited have adopted a cost leadership strategy. The study also revealed that survival in the market place and growth, were the most important goals to majority of the PesaPoint limited by Market development, Product/market differentiation and diversification in that order.

Majority of the PesaPoint limited respondents indicate that their strategic responses to implementation of competitive strategy in the market were; offering high quality services, providing superior customer service, offering services not offered by competitors, introducing new services to the market and use of latest technology, in

that order. The findings also indicate that regular market surveys of customer needs, market segmentation, customized services to niche market, and better service attributes to niche were also employed by some banks to enhance their competitiveness in selected markets.

The study established that PesaPoint limited distinguished the quality of their services through use of service quality indicators such location, enhancing quality assurance to clients, use of simple registration/admission procedures, using good client communication and education. The study also found that PesaPoint limited enhanced their competitiveness by communicating to the clients that their service delivery focused on satisfying the customer, using customer focused policies, used smooth and simple process flows that ensured clients were subjected to minimal waiting time.

The researcher also found that PesaPoint limited the charges for services rendered were set based on service package that was offered for various customers requirement. Different banks were charged different prices on the basis of their clientele for instant Stima Sacco card users are not charged the same transaction cost as Standard Chartered bank card users.

Other strategies used by the PesaPoint limited to enhance competitiveness as established by the study were the introduction of new service features in response to demand, keeping overall overheads lower than the industry but keeping the transaction charges lower than competition.

The study revealed that the factors that influenced the choice of competitive strategies in PesaPoint limited were guided by the staff skills and innovation, financial requirements, Government policies and regulations, changing customer needs, industry regulations, and demands from suppliers and actions of competitors.

The study further found that other approaches used to conquer competition in the market were good ATM locations, good security, attractive appearance of premises and also lower charges compared with competitors. The researcher also found that the forces that had impacted on the majority of the PesaPoint limited and influenced their competitive strategies; were staff costs, prices fairness.

5.3 Conclusions

From the study, the researcher concluded that the competitive strategies adopted by PesaPoint limited Kenya in response to changes in the market included offering high quality services, providing superior customer service, offering services not offered by competitors, introducing new services to the market and use of latest technology, regular market surveys of customer needs, customized services to different market, better service attributes to niche and also market segmentation, new service features in response to demand, keeping overheads same as industry while keeping charges lower than competition and staff reduction.

The study also concluded that the factors influencing the choice of competitive strategies in PesaPoint limited were staff skills and innovation, financial requirements, government policies and regulations, changing customer needs, industry regulations,

and actions of competitors. Most of the staff employed by the organisation was previous employed by the large banks in the country and therefore brought broad and wide experience from the industry.

5.4 Recommendations

On the competitive strategies adopted by PesaPoint limited, the researcher recommended that for the PesaPoint limited to remain competitive in the market, they should ensure that they offer reasonable prices for their services so as to reduce the stiff competition and especially from the banks. PesaPoint limited should also ensure that they have qualified and competent workers in order to remain competitive in the market and also attract more customers. The staff should also be trained so as to cope up with the rapid changes in the technology. PesaPoint limited should also increase the number of service points. The study further recommends that PesaPoint limited should also advertise themselves using the promotional media strategies such as radios and newspapers so that they can be widely known and hence survive in the market.

On the factors influencing the choice of competitive strategies in PesaPoint limited, the researcher recommended that PesaPoint limited should ensure that they make regular market surveys to know what their customers' needs and wants. The study also recommended that PesaPoint limited should closely monitor the actions of their competitors and also came up with actions that are most liked by customers to remain competitive in the market.

5.5 Implication of the study on Policy, Theory and Practice

The findings of this study will provide useful information for decision making to the various stakeholders in policy, theory and practice. The finding will help the management of PesaPoint in reviewing the strategies adopted in the implementation of its competitive strategies. This will help them in reviewing misaligned strategies and improving those that are in order. The CBK will find the study useful in guiding formulations and review of policies in the banking industry.

The study will be useful in providing additional knowledge to existing and future institutions on challenges to competitive strategy implementation and provide information to potential and current scholars on strategic in Kenya. These expand knowledge on competitive strategy implementation in Information technology and banking industry and also identify areas of further study where the study seconds the idea of sustainable competitive advantage. The term emerged in the year 1985, when Porter discussed the basic types of competitive strategies firms' possess (low-cost and Differentiation) to achieve sustainable competitive advantage. Sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by current or potential competitors along with the inability to duplicate the benefit of this strategy.

The study finding also supports Ansoff Product-Market Growth Matrix as a marketing tool. The matrix allows managers to consider various ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible

product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. They are called generic strategies because they are not firm or industry dependent. They apply across all industries.

5.6 Limitations of the Study

The main limitation of this research was the fact that the subject was regarded present and on-going study that was subject to improvement. Therefore this contributed to the researcher getting either inadequate information or responses. Also most of the interviewees were senior managers of the organisation and felt that discussing the topic exposed their weakness in implementing the organisation strategies.

Other major limitation was that the respondents targeted were mainly the senior manager or the heads of various departments at PesaPoint limited, whose working schedules were very tight because of the nature of their work. The researcher had to continually remind them to spare time for the interview since most of the times they were away on meetings, but eventually, most of them availed themselves for interview while others were interviewed on phone.

Final limitation was that every organization has its codes of conduct that restricts the employees even the senior employees to divulge confidential information to the public - secrecy of the company. However the researcher assured the interviewees that the information obtained was to be kept confidential and was for the academic purpose only. This was supported by the authority letter to collect data that which was signed by a senior director of the company.

5.7 Area for Further Research

The study suggested that further research should be conducted in other industries such banks and other third party ATM networks to find out the adopted competitive strategies to remain competitive. The strategies should be compared with the competitive strategies adopted by PesaPoint limited.

The study also suggested that the response rate should be broadened to cover a larger population so as to have more inclusive findings to make better conclusions and recommendations there from. It might be important to interview non-managers of PesaPoint limited who have served the organization for the longest period. This class of employees does have historical background of the organization which if well analyzed my assist in developing competitive strategies.

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APPENDICES

APPENDIX 1: INTERVIEW GUIDE

1. What are the Competitive Strategies adopted by PesaPoint limited in Kenya?
2. How does your company go about implementing the chosen strategies?
3. Does your organization maintain a policy manual on how to implement the strategies? Please elaborate.
4. How often are the policies on implementation updated?
5. How would you describe the competition of third party ATM networks in Kenya?
6. What are the factors influencing competitive strategies at PesaPoint limited Kenya?
7. How are the following supportive to the policy development and implementation?
 - I. employees
 - II. board of directors
 - III. the management
8. How committed are the board members and management in providing financial resources to support implementation of strategic initiatives?
9. How motivated are the board of directors and employees in supporting the strategic initiatives?
10. What are the challenges encountered in implementing the competitive strategies adopted by PesaPoint limited in Kenya?
11. How appropriate is the current organization structure to support the implementation of strategic initiatives?

12. How capable is the available human resource in managing and implementing new strategic direction?
13. What are the challenges that you experience in the implementation of competitive strategic decisions?
14. How have you responded to the above challenges?

APPENDIX 2: LETTER OF INTRODUCTION



Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE..... 6 JULY, 2012

TO WHOM IT MAY CONCERN

The bearer of this letter..... ANAS MUANGI

Registration No..... D6161567/2010

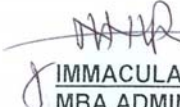
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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.




IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

APPENDIX 3: LETTER OF INQUIRY TO CONDUCT RESEARCH

9th July, 2012

Atanas Mwangi

University of Nairobi

School of Business – Nairobi

Group Finance Director

PesaPoint Limited

P.O Box 2649 00100 Nairobi

Dear Madam,

RE: REQUEST TO CONDUCT RESEARCH IN PESAPOINT

I am a Master of Business Administration student at the University of Nairobi. As part of my coursework, I am required to carry out and submit a research project report on **‘The challenges facing PesaPoint Limited in the implementation of competitive strategies as a third party ATM Network in Kenya’**

The study is purely academic and all responses will be kept anonymous and treated with utmost confidentiality. A copy of the final research will be availed to the organisation.

Your assistance will be highly appreciated.

Yours faithfully,



Atanas Mwangi
Reg. No. D61/61567/2010

APPENDIX 4: AUTHORITY TO COLLECT DATA – PESAPOINT LTD



10th July, 2012

University of Nairobi
School of Business
Nairobi

Dear Sir/Madam,

RE: AUTHORITY TO COLLECT DATA – PESAPOINT LIMITED

This is to inform you that Mr Atanas Mwangi has been allowed to collect data from the organisation through direct interviews for the purpose of his research project.

The approval was obtained with the understanding that the information given will only be used for academic purposes.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Jenny Harber".

Jenny Harber
Group Finance Director



APPENDIX 5: REQUEST FOR INTERVIEW

10th July, 2012

Interviewee

Atanas Mwangi

University of Nairobi

School of Business – Nairobi

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION IN MBA RESEARCH PROJECT

I am a student at the University of Nairobi pursuing a Master of business administration. As part of my coursework, I am required to carry out and submit a research project report on ‘The challenges facing PesaPoint Limited in the implementation of competitive strategies as a third party ATM Network in Kenya’

To achieve this objective, I kindly request for your assistance in completing the attached interview guide. I assure you the information you provide is purely for academic purposes and will be treated with utmost confidentiality. Should the finding of this Research Project be of interested to you, a copy would be available at the University of Nairobi Library.

Yours faithfully,



Atanas Mwangi
Reg. No. D61/61567/2010