STRATEGIC RESPONSES BY CHASE BANK KENYA LIMITED TO ENVIRONMENTAL CHANGES IN THE BANKING SECTOR

BY

CAROLINE MWERU MWANGI

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE MASTERS OF BUSINESS ADMINISTRATION (M.B.A.) DEGREE, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

AUGUST 2009

DECLARATION

This management project is my original work and has not been presented for a degree in any other university.

Signed.. **Date..**

CAROLINE MWERU MWANGI

D61/P/8493/05

This management report is submitted for examination with my approval as the University supervisor.

Signed... **Date..**

DR. JOHN YABS

Department of Business Administration

University of Nairobi.

DEDICATION

To my family and colleagues for their inspiration, moral support and enduring in my absence even as I struggled to get this work completed.

ACKNOWLEDGEMENT

I am grateful and indebted to many people who helped me make this project possible.

Special thanks to my Research Project Supervisor, Dr. John Yabs for sparing his time to guide me delicately and patiently throughout the preparation of this project. His inspiration and positive criticism ensured that I am greatly indebted.

I am indebted to my parents who instilled the value of education in me. Their attitude towards me has sowed seeds of confidence.

My sincere gratitude to the Chase Bank's senior management who provided most of the data used in this project. To my colleagues particularly Nelly, Joel and Brenda for their encouraging smile and prayers when things got tough, Akif and Martin for taking time to answer my questions, clarifying what was not clear and for providing vital data.

ABSTRACT

The banking industry must continuously adapt its operations to the constantly changing environment in order to succeed in business. Several changes have taken place in the world economies particularly in the banking industry. In order to survive in this dynamic environment, banks need strategies that are focused on their activities and deal with emerging environmental and industry challenges accordingly.

Chase Bank Kenya Limited is a financial institution that is facing environments such as global and dynamic. Within a span of two years, financial institutions with a heritage of one hundred years have either ceased to exist or been acquired by more adapt players thanks to the current global financial crisis. This crisis is bringing unprecedented change to the financial services industry irrespective of organization size, focus or geography. This study is set up to establish the responses being utilized by Chase bank in the face of increasing environmental changes and industry forces. The first objective of the study was to determine how Chase bank has responded to changes in the environment. These are: technological, economic, political and social factors.

The second was to determine how Chase bank has responded to changes in the industry forces. Theses are: threat of entry, threat of substitute product, bargaining power of buyers, bargaining power of suppliers and competitive rivalry.

According to the study, the bank has been influenced by various factors which were identified as being facilitators or challenges. The notable facilitators unique to the bank were; strong customer relations with recognition, open, dynamic, youthful and energetic culture, competitive foreign exchange pricing and branch network which is attractive to the High Net Worth individual. The documented challenges are the cumbersome and complicated banking system, low brand awareness in the market, increased competitive rivalry, entrance of new more dynamic players into the local market and market volatility.

Chase bank has managed to be successful thus far in managing environmental challenges due to the open-minded attitude of the management and thus strategic responses to these changes. The future of the business will depend on how well the bank is able to adjust their business operations to the volatile environment. The research suggests a study to find out how the firm

formulates these strategies, specifically to determine factors which influence the choice of strategies within the organization.

From the study, it is clear that Chase Bank recognizes the fact that it is working in a dynamic environment. It also realizes that for it to sustain good performance, it has to continually make changes so as to adapt to the environment. The firm sees the need to delight its customers by satisfying their needs and exceeding their expectations. The firm has chosen to adopt a proactive posture.

TABLE OF CONTENTS

ABBREVIATIONS

US-	United States
USD-	United States Dollar
CBK-	Central Bank Kenya Limited
ISO-	International Organization for Standardization
FCB-	First Community Bank Limited
SME-	Small and Medium Enterprises
CBA-	Commercial Bank of Africa Limited
BBK-	Barclays Bank Kenya Limited
SCB-	Standard Chartered Bank Kenya Limited
NIC-	National Industrial Credit Bank Limited
EBL-	Equity Bank Limited
KCB-	Kenya Commercial Bank Limited
IT-	Information Technology
HNW-	High Net Worth
CS-	Customer Service
ATM-	Automated Teller Machine
KSHS-	Kenya Shillings
ROCE-	Return on Capital Employed

LIST OF TABLES AND FIGURES

TABLES

FIGURES

CHAPTER ONE:

INTRODUCTION

1.1 Background of the Study

All organizations are environment serving. They are dependent on the environment for their inputs and outputs. Therefore changes in the environment trigger changes within the organization. Strategic responses are hence required in any organization to enable it to cope with the turbulence in the environment.

Responsiveness of an organization often depends on the level of turbulence in the external environment. With increased turbulence in the external environment, an organization may undertake some adaptations such as Product / Market changes, Process changes, Structural changes, Leadership changes, Technological changes, and Policy and Cultural changes.

Turbulence is not only confined to the external environment. Changes may emerge from the internal environment, which is within the organization. Changes in the internal environment may be as a result of Management changes and Changes in Human Resources policies.

Ansoff (1987) noted that the environment is constantly changing. This therefore makes it necessary for organizations to constantly align and re-align various activities in order to survive in this turbulent environment. The organizations need to formulate and implement strategies that will enable them to plan and act on future eventualities. Strategy is about winning. Strategy articulates how organizations intend to combine their resources in order to convert its broad intentions into organization capabilities (Schoenberger, 1985). Strategy formulation therefore guides the actions and decisions made by an organization and helps them achieve long term survival and prosperity.

Various approaches have been adapted in the process of responding to turbulence in the environment. Organizations may adapt either planned approaches or emergent approaches. The planned approaches are predominant in that organizations formulate pre-planned methods in prediction of the changes likely to occur in the environment. These approaches enable the organization to predict their position given certain changes in the environment.

Emergent approaches view environmental turbulence as a continuous, open-ended and unpredictable process for align and re-align an organization to the turbulent environment. The two approaches are significant in Managing response to change within any organization.

1.1.1 Strategic Responses

Strategy is about winning (Grant, 1998). While there is no dispute regarding the importance of strategy in business management, there does not appear to be any agreement as to what exactly is strategy or how exactly the ‘winning’ is achieved. Indeed, there are as many approaches to strategy but none are universally accepted (Stacey, 2003). Likewise, Ansoff, (1987) says that strategy is an elusive and somewhat abstract concept.

When a firm's environment moves to a new turbulence level, the responsiveness of the firm's capability to the environment stimuli must also move to a different level. If the capability fails to keep pace with the environment, the firm is in danger of losing its competitive position and becoming unprofitable (Ansoff and Mc Donnel, 1990).

According to Porter (1980), a firm’s attempt to seek a competitive advantage is based on three generic strategies. First is striving for overall low-cost leadership in the industry, the second being striving to create and market unique products for varied customer groups through differentiation and lastly having a special appeal to one or more groups of consumer or industrial buyers focusing on their cost or differentiation concerns. Porter (1985) further emphasizes that competitive advantage arises from selection of the generic strategy that best fits the organization’s competitive environment and then organizing value-adding activities to support the chosen strategy.

Once the strategist has assessed the forces affecting competition in his industry and their underlying causes, they can identify the company's strengths and weaknesses. The crucial strengths and weaknesses from a strategic stance are the company's posture Vis a Vis the underlying causes of each force. Where does it stand against substitutes? against the sources of entry barriers? Then the strategist can devise a plan of action that may include positioning the company so that its capabilities provide the best defence against the competitive force; and /or influencing the balance of the forces through strategic moves, thereby improving the company's position; and/or anticipating shifts in the factors underlying the forces and responding to them, with the hope of exploiting change by choosing a strategy appropriate for the new competitive balance before opponents recognize it.(Mintzberg et al, 2003).

Thompson, Strickland and Gamble (2007) outlined the company’s five menu of strategic responses. The first strategic choice is the Generic Competitive Strategic option, which includes the cost of leadership, differentiation and focus strategies. The second set of strategic choices is the complementary strategic option which includes employing strategic alliances and partnerships, mergers with or acquiring other companies, backward or forward integration, outsourcing selected value chain activities, initiating offensive strategic moves and employing defensive strategic moves. The third are the Functional-Area Strategies to Support the above Strategic Choices, the fourth being timing a Company's Strategic moves in the market place and the fifth being the website strategy being employed.

The bulk of managerial time in business firms is devoted to coping with uncertainties induced by the environment; competitors’ moves, economic fluctuations, availability of raw materials, labour demands (Ansoff and Mc Donnell, 1990). All organizations are environment serving and therefore totally dependent on the environment. The small and medium size enterprise (SME) sector in Kenya is not an exception to this inter-dependency with the environment. The SMEs have to adopt suitable strategies for survival within the highly competitive and volatile environment.

Changes in environmental conditions such as political issues, socio – cultural effects, economic stability in the country and advancement in technology have resulted in the fund coming up with new techniques to enable it survive in the Industry. The environmental turbulence has posed various challenges such as increased competition, variations in customer needs and expectations, increased knowledge and alignment to technological advancements to the fund.

Burnes (2000) explains that because of political, economic, social and technological changes, the history of organizations has been that of change and upheaval since the industry age. Since the pace and uncertainty of such change vary from organization to organization, some appear to operate under relatively stable conditions while others operate under extreme turbulence. Organizations therefore need to determine the level of turbulence experienced in the environment and align themselves to the changes experienced in the environment. Strategy therefore is the match between an organization's resources and skills, and the environmental opportunities and risks it faces and the purpose it wishes to accomplish (Schendel and Hofer, 1979).

Banks have experienced major challenges caused by both external and internal factors. The Kenyan economy, in the 90's and early 21st century, has been very unstable and there has been increased competition from other banks. Internal factors that have affected banks' performance were attributed to the fact that many banks were ill prepared to handle demands such as provision of diversified range of financial services, demands on liquidity, foreign exchange, credit products and capital finance obligations (Mumbi, 2005).

In order to counter the challenges, the banks have responded by offering financial services under the umbrella of universal banking institutions. These include insurance brokerage licensing and insurance premium financing. Banks like Kenya Commercial Bank, Standard Chartered Bank and Equity Bank have in addition, implemented changes which include but not limited to change in reporting structure hence creating flat structure; restructuring of some departments and division in order to centralize key operational areas; review of operational processes so as to improve efficiency and effectiveness ; branch modernization programmes so as to improve physical infrastructure and customer service and installation of automated teller machines (ATMs) (Market intelligence, 2008). Co-operative Bank of Kenya has responded to the challenges by coming up with new products and services (Kathuku, 2004) and Kenya Commercial Bank has responded to the challenges by improving internal resource capabilities through staff training and reviewing of operational processes as well, hence enhancing the bank's business processes (Mbogo, 2003).

Chase Bank is operating in a rapidly changing environment. The bank, like any other market participant is facing challenges from the external environment. Technological challenges such as undependable core banking system and lack of mobile/internet banking is threatening Chase Bank. Also, the bank's cards are not internationally accepted as they have no international partnerships like VISA or Mastercards. Introduction of non-traditional players, who now offer financial services products for example Safaricom through M-Pesa and

Nakumatt through the cash back arrangement with Equity bank also poses a threat to Chase Bank.

Economic factors such as interest and inflation rates have affected the availability of and cost of capital, prices, costs and consumer demands for products. Increase in interest rates is expected to reflect the higher risk of lending and the increased risk of doing business. This poses a challenge to Chase Bank as customers will look for the best rates globally.

1.1.2 Chase bank

In 1995, Chase Bank was just an idea. That idea can trace its origins to when a group of local investors got together to buy out a bank that was then under Central Bank of Kenya statutory management. The bank effectively began its operations in January 1996 in the lake side town of Kisumu, in Western Kenya. In 1997, the bank moved its headquarters to the capital city of Nairobi. The Kisumu branch was closed in 2000 as part of rationalization measures. Today the bank has branches in strategic locations in the city centre, at the village market, hurlingham, parklands, Eastleigh and Mombasa.

The steady and sustained growth of Chase Bank is a combined achievement. The Bank's shareholders have shown their commitment with regular injection of funds. The clientele's continued custom and good faith have bolstered the deposit volumes. From its initial issued share capital of Kes 75 million, in 1996, the share capital has constantly increased over the years through a combination of rights and bonus issues to stand at 600 million as at 31st December 2006. This growth can be attributed to investor confidence in the institution and consistent retention of earnings.

Chase Bank has enjoyed rapid growth over the last three years and is positioning itself as the relationship bank. This growth has also brought about challenges particularly in terms of existing structures, systems, processes and procedures. For over 10 years Chase Bank has been actively engaged in financing corporations and individuals in Kenya. They provide a broad range of financing products for companies and organisations and consumer financing through our branches found within Nairobi and Mombasa. The bank caters for the discerning top end of the retail market tier, high net worth individuals as well as small and medium enterprise segment. Their expansion and branch location reflect their strategic focus to serve this selected market niches through their supreme and personal banking.

1.2 Statement of the Problem

According to Ansoff and McDonnell (1990) organizations are environment dependent and environment serving. Organizations are in a constant two-way interaction with the environment. They receive inputs from the environment, transform or add value to them, and return the outputs in form of goods and services back to the environment. They therefore affect and are affected by what happens in the external environment, which is beyond the organization’s control. Environmental change creates pressure for change in the organization and this means that they have to respond to relevant external change to ensure that they survive.

The business environment within which the banking sector operates has been very volatile. The political anxieties, competition from new entrants, social reforms, technological advancement and globalization are some of the challenges that have greatly affected the growth of this sector. Although there are numerous scholarly works existing on the subject of strategy, most of them have concentrated on competitive strategies of individual organizations. The researcher’s extensive review of the literature showed no study on the subject, particularly in the context of a whole industry.

Although some researches exist on strategies of firms in mature or declining industries, they are mainly in respect to normal growth curve whereby a firm has to develop strategies to survive in a mature market. Kotler (1985) pointed out that organizational change usually lags behind environmental change. Kandie (2001) undertook a study on the strategic responses to competition by Telcom Kenya. Kathuku (2005) also undertook a study on the strategic responses to changes in the environment by the Co-operative Bank of Kenyan as the Second largest commercial banks. Migunde (2000) also undertook a study on the strategic responses by Kenya Breweries Limited. They found out that the organization had made some strategic adaptations in its products, markets, and technology as well as making strategic alliances.

While these studies have addressed various aspects of responses to environmental challenges, none focused on the strategic responses to environmental changes in the banking industry in Kenya, especially the small upcoming banks, hence this study seeks to address the issue of what strategies does Chase bank adopt to respond to challenges posed by changing environment in the industry?

1.3 Objective of the study

This study has been carried out to explore the strategic responses by Chase Bank Kenya Ltd to environmental changes in the banking sector.

1.4 Importance of the study

This study will help the management of Chase bank in identifying factors of the environment that affect their organization and hence be able to make informed decisions and appropriate strategic responses for continued survival and growth.

Findings of this study will highlight pertinent issues regarding the industry which can help government in policy formulation.

The research will be a useful source of reference for researchers and scholars who might be interested in carrying out future research based on the findings of the current study. It will also help fill the knowledge gap regarding strategic responses to environmental changes.

CHAPTER TWO:

LITERATURE REVIEW

2.1 The concept of strategy

Mintzeberg and Quinn (1991) define a strategy as the pattern or plan that integrates organizations major goals, policies and action sequence into a cohesive whole. Porter (1980), states that strategy is creating a fit among a company's activities. The success of a strategy depends on doing many things well not just a few- and integrating them. If there is no fit among activities, there is no distinctive strategy and little sustainability.

Thompson and Strickland (2002) define a strategy as the pattern of organizational moves and managerial approaches used to achieve organizational objectives and pursue organizational mission. Strategy is the match between an organization's resources and skills, and the environmental opportunities it wishes to accomplish (Schendel and Hofer, 1979). It is important to provide guidance and direction for the activities of the organization. Strategy can also be seen as the process of deciding a future course for a business and has a role on organizing and steering the business in the attempt to bring that future course.

Aosa (1992), states that strategy is creating a fit between the external characteristics and internal conditions of an organization to solve a strategy problem. The strategy problem is a mismatch between the internal characteristics of an organization and its external environment. The matching is achieved through development of an organization's core capabilities that correlate to the external environment enough to enable the exploitation of opportunities existing in the external environment and organizations internal capabilities.

Bateman and Zeithaml (1993) define strategy as a pattern of actions and resource allocations designed to achieve the goals of the organization. The strategy an organization implements is an attempt to match the skills and resources of the organization to the opportunities found in the external environment. They point out that each organization has certain strengths and weaknesses. The actions or strategies the organization implements should be directed toward building strengths in areas that satisfy the wants and needs of consumers and other key actors in the organizations external environment.

2.2 Strategic Response

Pearce and Robinson (1997) define strategic response as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives. Mpungu (2005) sees it as a reaction to what is happening to the environment of the organization. Aosa (1992) asserts that modern approach to strategic planning has developed as a response to increasing challenges caused by high levels of environmental turbulence. When firms are faced with unfamiliar changes, they should revise their strategies to match the turbulence level (Ansoff and MasDonnel, 1990). Some of the strategic responses firms use in different competitive situations is the generic strategies reviewed below.

2.3 Environmental Changes

According to Ansoff and McDonnell (1990) organizations are environment dependent and environment serving. Organizations are in constant two-way interaction with the environment. They receive inputs from the environment, transform or add value to them, and return the outputs in form of goods and services back to the environment. They therefore affect and are affected by what happens in the external environment, which is beyond the organization's control. Environmental change creates pressure for change in the organization and this means that they have to respond to relevant external change to ensure that they survive.

Under deregulation market players have set their own profit margins (Nyoike and Okech, 1999). Sull (1999) wrote that when successful companies face big changes in their environment they often fail to respond effectively. According to Miller, (1998) organizations exist in a complex commercial, economic, political, technological, cultural and social environment. These environmental changes are more complex to some organizations than for others. For survival, an organization must maintain a strategic fit with the environment. The environment is important and an organization has to respond to its dynamism, heterogeneity, instability and uncertainty (Thomson, 1967). In addition, the competitive environment continues to be driven by technological innovations, globalization, competition, extreme emphasis on price, quality and customer satisfaction. As a result, organizations must continuously create and innovate in order to stay relevant and be successful.

Miller (1998) postulates that a sustainable competitive advantage is achieved when there is a strategic fit between the external and internal environment. An organization's external environment includes economic forces, social-cultural, demographic, political and technological, while its competitive environment include; competitors, customers and suppliers. This external component should have a strategic fit with the internal environment, which includes the organization's systems, policies, resource capability and its corporate culture (Pearce and Robinson, 1997).

Sauvé (2002) noted that the environment is a critical factor for any organization's survival and success. It should be seen as a biosphere in which individuals and organizations live over the long term and as a community project in which to be actively involved. It is a resource to be managed and to be shared, hence the need to effectively manage the value chain system and establish collaborations, partnerships and to get involved in social responsibility to enrich this resource and enhance the corporate image of the organization. It is noted that, many organizations are now more than ever being involved in social responsibility activities since a good corporate image can also be a source of competitive advantage (Price waterhouse Coopers and Nation, 2001). It is imperative that managers apply critical investigation into the realities of the changing environment of this millennium through enlightened diagnosis of the problems it poses.

2.3.1 Remote environment/Macro environment

The remote environment comprises factors that originate beyond and usually irrespective of any single firm's operating situation (Pearce and Robinson, 2007). All organizations operate in a macro environment which is defined by the most general elements in the external environment that can potentially influence strategic decisions (Bateman and Zeithmal, 1993).

According to Scholes and Whittington (2005), the macro environment consists of the broad environmental factors that impact to a greater or lesser extent on almost all organizations. He analyzes this environment using the PESTEL framework which can be used to identify how future trends in the political, economic, social, technological, environmental and legal environments might impinge on organizations. If the future environment is likely to be very different from the past it is helpful to construct scenarios of possible futures. This helps managers consider how strategies might need to change depending on the different ways in which the business environment might change.

2.3.1.1 PESTEL Framework

Political Factors

The political environment may create significant opportunities or threats for organizations. The government can affect business opportunities through tax laws, economic policies and international trade rulings (Bateman and Zeithaml, 1993). Scholes and Whittington (2005), identify government stability, taxation policy, foreign trade regulations and social welfare policies as the main factors that play a significant role in the political environment. He also identifies several laws and regulations that impact on the legal factors. These include laws relating to competition, employment, health and safety, product safety and the environment among others.

Pearce and Robinson (2007), states that the direction and stability of political factors are a major consideration for managers on formulating company strategy. Political factors define the legal and regulatory parameters within which the firms must operate. Political constraints are placed on firms through fair-trade decisions, antitrust laws, tax programs, minimum wage legislation, pollution and pricing policies and many other actions aimed at protecting employees, consumers, the general public and the environment. Because such laws and regulations are most commonly restrictive, they tend to reduce the potential profits of firms. However, some political actions are designed to benefit and protect firms such as patent laws and government subsidies. Thus, political factors may either limit or benefit the firms they influence.

Even though the banks are not that much affected by political environment of a country. The politics of Kenya can easily hinder the growth of a bank this is seen in some banks where they are associated with one community. Harmony within the coalition government as this will be a key determinant of political stability and will ensure that the parliament and the government work effectively.

Economic Factors

Economic factors concern the nature and direction of the economy in which a firm operates. Because consumption patterns are affected by the relative affluence of various market segments, each firm must consider economic trends in the segments that affect its industry. On both the national and international level, managers must consider the general availability of credit, the level of disposal income, and the propensity of people to spend. Prime interest rates, inflation rates, and trends in the growth of the gross national product are other economic factors they should monitor (Pearce and Robinson, 2007).

Scholes and Whittington (2005), identify business cycles, GNP tends, interest rates, money supply, inflation, unemployment and disposable income as being the significant factors that affect the economic environment. Economic conditions change over time and are difficult to predict as periods of dramatic growth may be followed by a recession. Even when times seem good, budget deficits or other considerations may create concern about the future. The economic environment dramatically affects companies' ability to function effectively and influences their strategic choices. Interest and inflation rates affect the availability and cost of capital, the ability to expand, prices, costs and consumer demand for products. Unemployment rates affect labour availability and the wages the firm must pay as well as product demand (Bateman and Zeithaml, 1993).

The need to employ more sophisticated tools and approaches to assess credit and liquidity risk. They need to prepare for more intense regulatory oversight of their management of financial risk, operational risk and compliance. The roles of regulators and the rating agencies will also be redefined to better manage risk and compliance.

Technological Factors

To avoid obsolescence and promote innovation, a firm must be aware of technological changes that might influence its industry. Creative technological adaptations can suggest possibilities for new products or for improvements in existing products or in manufacturing and marketing techniques. A technological breakthrough can have a sudden and dramatic effect on a firm's environment. It may spawn sophisticated new markets and products or significantly shorten the anticipated life of a manufacturing facility. Thus, all firms and mostly those in turbulent growth industries must strive for an understanding both of the existing technological advances and the probable future advances that can affect their products and services. Technological forecasting can help protect and improve the profitability of firms in growing industries. It alerts strategic managers of both impending challenges and promising opportunities (Pearce and Robinson, 2007).

According to Bateman and Zeithaml (1993), a company cannot succeed without incorporating into its strategy the astonishing technologies that exist and continue to evolve. Technological advances create new products, production techniques and ways of managing and communicating. As technology evolves, new industries, markets and competitive niches develop. For example, with the advent of computers, a huge industry was created. Scholes and Whittington (2005) identify the key contributors towards technological factors. These include government spending on research, government and industry focus on technological effort, new discoveries, and developments, speed of technology transfer and rates of obsolescence.

Chase bank in the recent past has embraced ICT so as to keep abreast with changes in the technological environment. Changes in methods of communication and increased use of technology have forced the company to come up with more reliable and efficient ways of serving customers. It is therefore important that Chase bank should monitor changes in the technologies that affect their operations and markets. Firms must be flexible and be ready to innovate and adopt new technologies as they come (Campbell, 1990)

Others Factors

According to Pearce and Robinson (2007), the social factors that affect a firm involve the beliefs, values, attitudes, opinions and lifestyles of persons in the firm’s external environment, as developed from cultural, ecological, demographic, religious, educational and ethnic conditioning. As social attitudes change, so does the demand for the various types of clothing, books, and leisure activities among others. Like other forces in the remote external environment, social forces are dynamic, with constant change resulting from the efforts of individuals to satisfy their desires and needs by controlling and adapting to environmental factors.

Scholes and Whittington (2005) identifies population demographics, income distribution, social mobility, lifestyle changes, attitudes to work and leisure, consumerism and levels of education as the major factors that influence the social environment. According to Bateman and Zeithaml (1993), social trends concerning how people think and behave have major implications for management of the labour force, corporate social actions and strategic decisions about products and markets. Today companies that want to create or maintain a competitive advantage are introducing more supportive policies regarding maternal and paternal leave, flexible working hours and childcare.

Pearce and Robinson (2007) identify the most prominent factor in the remote environment as being the reciprocal relationship between business and ecology. They define ecology as the relationships among human beings and other living things and the air, soil and water that support them. Threats to our life-supporting ecology caused principally by human activities in an industrial society are commonly referred to as pollution. Specific concerns include global warming, loss of habitat and biodiversity, air, water and land pollution.

According to Pearce and Robinson (2007), the global climate has been changing for ages but it is now evident that human activities are accelerating this tremendously. A change in atmospheric radiation, due to in part to ozone depletion, causes global warming. Another area of great importance is the los of habitat and biodiversity. Ecologists agree that the extinction of important flora and fauna is occurring at a rapid rate and if continues, it could constitute a global extinction on the scale of those found in fossil records. Air pollution is created by dust particles and gaseous discharges that contaminate the air while water pollution occurs principally when industrial toxic wastes are dumped or leak into the nation's waterway. Land pollution is caused by the need to dispose of ever-increasing amounts of waste and is more dauntingly caused by the disposal of industrial toxic wastes in underground sites. Johnson, Scholes and Whittington (2005) identify environmental protection laws, waste disposal and energy consumption as the key contributors to the environmental factors.

2.3.2. Industry Environment

2.3.2.1 The Five Forces Framework

Inherent within the notion of strategy is the issue of competitiveness, which deals with gaining advantage over competitors. Michael Porter's five forces framework was originally developed as a way of assessing the attractiveness (profit potential) of different industries. As such it can help in identifying the sources of competition in an industry or sector. According to Pearce and Robinson (2007), the cornerstone of Porter's work first appeared in the Harvard Business Review, in which he explained the five forces that shape competition in an industry. His well defined analytical framework helps strategic managers to link remote factors to their effects on a firm's operating environment. Every industry has an underlying structure or a set of fundamental economic and technical characteristics that gives rise to these competitive forces. The strategist, wanting to position his or her company to cope best with its industry environment or to influence that environment in the company's favour must learn what makes the environment tick.

Porter (1980) identifies five contending forces that drive industry competition namely the threat of entry, bargaining power of suppliers and buyers, threat of substitute products and competitive rivalry.

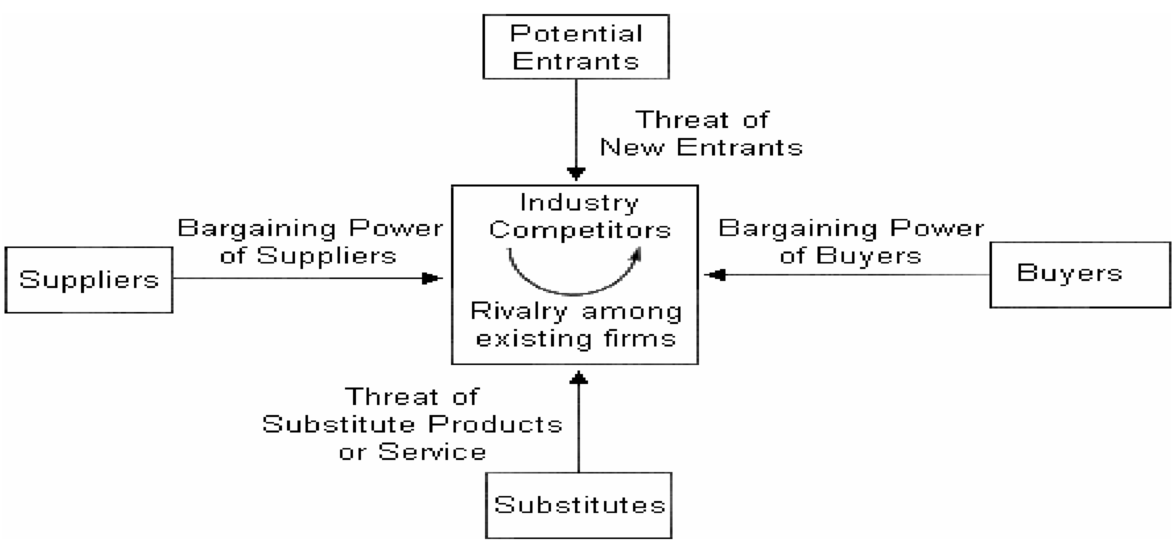

Figure 1: Source: Porter (1985)

Threat of Entry

According to Scholes and Whittington (2005), threat of entry will depend on the extent to which there are barriers to entry. These factors need to be overcome by new entrants if they are to compete successfully. These should be seen as providing delays to entry and not as permanent barriers to determined potential entrants.

The seriousness of the threat of entry depends on the barriers present and on the reaction from existing competitors that the entrant can expect. If barriers to entry are high and a newcomer can expect sharp retaliation from the entrenched competitors, he or she obviously will not pose a serious threat of entering (Pearce and Robinson, 2007).

African financial institutions particularly the West African banks are focusing on expansion across Kenya. A number have already established presence in Kenya like Eco Bank and United Bank of Africa. This has posed a great threat to Chase Bank as they have lost key staff particularly at senior management to the new banks.

Bargaining Power of Suppliers

Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods and services. Powerful suppliers therefore can squeeze profitability out of an industry unable to recover cost increases in its own prices (Pearce and Robinson, 2007). There is a significant increase increase in the core capital requirement by CBK to improve the financial strengths of banks expected.

Bargaining Power of Buyers

Customers can force down prices, demand higher quality or more service, and play competitors off against each other all at the expense of industry profits (Pearce and Robinson, 2007). Bank customers require banks to offer reasonable interest rate. This is forcing companies to rethink on how to capture and retain customer. The banks need to focus on creating unique product and services that meet the needs and expectations of its customers.

Threat of substitute Products

Substitution reduces demand for a particular class of products as customers switch to the alternatives, even to the extent that this class of products or services becomes obsolete (Scholes and Whittington, 2005). Introduction of non-traditional players who now offer financial services products for example safaricom through M-Pesa and Nakumatt through the cash back arrangement with Equity Bank.

Competitive Rivalry

Johnson, Scholes and Whittington (2005) define competitive rivals as organizations with similar products and services aimed at the same customer group. Rivalry among existing competitors takes the familiar form of jockeying for position using tactics like price competition, product introduction and aggressive advertising (Pearce and Robinson, 2007).

Chase bank faces competition from other banks such as Fina bank, Prime Bank, Bank of Africa as they all focus on the same customer group which is corporate clients and Small Medium Enterprises.

2.3.3 Operating Environment

The operating environment, also known as the competitive or task environment comprises factors in the competitive situation that affect a firm's success in acquiring needed resources or in profitably marketing its goods and services. Among the most important of these factors are the firm's competitive position, the composition of its customers, its reputation among suppliers and creditors, and its ability to attract capable employees. The operating environment is much more subject to the firm's influence or control than the remote environment. Thus, firms can be much more proactive in operating with the operating environment than in dealing with the remote environment (Pearce and Robinson, 2007).

Bateman and Zeithaml (1993) points out that all organizations are affected by the general components of the macro environment. Each organization also functions in a closer, more immediate task environment. The task environment comprises the specific organizations with which the organization directly interacts. These organizations include regulators, labour unions, suppliers and customers. The organization’s competitors face the same task environment whereas competitors are key components of one another’s task environment.

Competitive position

Assessing its competitive position improves a firm’s chances of designing strategies that optimize its environmental opportunities. Development of competitor profiles enables a firm to more accurately forecast both its short and long term growth and its profit potentials (Pearce and Robinson, 2007). When organizations compete for the same customers and try to win market share at the others’ expense, all must react to and anticipate their competitors’ actions (Bateman and Zeithaml, 1993).

Customer profiles

Developing a profile of a firm’s present and prospective customers improves the ability of its managers to plan strategic operations, to anticipate changes in the size of markets, and to reallocate resources so as to support forecast shifts in demand patterns. The traditional approach of segmenting customers is based on customer profiles constructed from geographic, demographic, psychographic and buyer behaviour information (Pearce and Robinson, 2007).

Suppliers

Choosing the right supplier is an important strategic decision. Suppliers can affect manufacturing time, product quality and inventory levels. The relationship between suppliers and the organization is changing in some companies. Instead of having many suppliers, organizations are having fewer suppliers who have made long term commitments to cooperative relationships in which trusted suppliers provide high quality materials (Bateman and Zeithaml, 1993).

Dependable relationships between a firm and its suppliers are essential to the firm’s long term survival and growth. A firm regularly relies on its suppliers for financial support, services, materials and equipment. In addition, it occasionally is forced to make special requests for such favours as quick delivery, liberal credit terms, or broken lot orders. Particularly at such times, it is essential for a firm to have had an ongoing relationship with its suppliers. An important way for suppliers to increase their power over customers is to extend them credit (Pearce and Robinson, 2007).

Creditors

With regard to its competitive position with its creditors, the firm should seek to understand whether the creditors fairly value and willingly accept the firm's stock as collateral, the perception of the firm as having an acceptable record of past payment, strong working capital position, compatibility of creditors loan terms with the firms profitability objectives and the creditors ability to extend the necessary lines of credit (Pearce and Robinson, 2007).

Human resources

A firm's ability to attract and hold capable employees is essential to its success. However, a firm's personnel recruitment and selection alternatives often are influenced by the nature of its operating environment. A firm's access to needed personnel is affected primarily by the firm's reputation as an employer, local employment rates, the ready availability of people with needed skills, and its relationship with labour unions (Pearce and Robinson, 2007).

Labour Unions

Historically, the relationship between management and labour unions has been adversarial. Troubled labour relations can create higher costs and productivity declines. But declining productivity and high quality overseas competition can create layoffs. To increase productivity and competitiveness, management and labour are increasingly working together in friendlier relationships (Bateman and Zeithaml, 1993).

Unions represent the workers in their negotiations with employers through the process of collective bargaining. When managers' relationships with their employees are complicated by the involvement of a union, the company's ability to manage and motivate the people that it needs can be compromised (Pearce and Robinson, 2007).

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the research design, data collection methodology and data analysis, are presented.

3.2 Research Design

The research was conducted through a case study method to assist the researcher achieve the objective of the study. This research problem was best studied through the use of a case study. This is because from the underlying literature above, Chase Bank Kenya Limited operates in the same competitive environment coupled with common internal and external factors. The case study method gave in-depth information on the strategic responses of Chase Bank towards competition from other banking institutions.

Young (1960) wrote that a case study is a comprehensive study of a social unit. The unit of study could be an institution, family, district, community, or person. Kandie (2001) argues that a case study is a form of qualitative analysis where studies are done on institutions and from the study, data generalization and inferences are drawn. In general, a case study is a qualitative study that has been narrowed down to a specific unit but comprehensive enough to give representative information for similar units operating in the same environment.

3.3 Data Collection

Data collection procedures are the steps taken to ensure that the data collection captures the desired objective the study using the data collection instrument (Robson 2002). The procedures therefore adopted the interview guide as data collection instruments.

The respondents of this research were the senior management staff of Chase bank. Such senior management staff comprised the Chief Executive Officer, six divisional heads and eight branch managers.

The interview guide has three parts. The first part was used to collect data on the general background information. The second part was used to collect data on strategic responses to the environmental changes while the third part was used to provide data on strategic responses adopted to the industry forces.

3.4 Data Analysis

The data collected in this study was qualitative data hence content analysis was be used. The researcher analyzed the data obtained to identify the strategic responses applied by Chase bank to the environmental changes in the banking industry.

This technique has been successfully used by other researchers such as Mwanthi, 2001, Migunde, 2003, Ngunjiri, 2005.

CHAPTER FOUR:

DATA ANALYSIS AND FINDINGS

4.1 Demographics of the respondents.

Table 1: Demographic information about the respondents.

Factors	Category	Number	Percentage (%)
Gender	Male	8	57%
	Female	6	43%
Age	20-30	4	29%
	30-40	10	71%
Education	Undergraduate	9	64%
	Masters	5	36%
Departments	Operations	1	7%
	Human resource	3	21%
	Finance	2	14%
	Business development	4	30%
	Customer service	1	7%
	Procurement	1	7%
	Information technology	1	7%
	Marketing	1	7%
Period worked at Chase Bank	1-2 years	1	7%
	2-3 years	3	21%
	Over 3 years	10	72%

Table 1 shows the respondents were almost evenly distributed in terms of gender with males comprising 57% and females 43%. Out of the respondents, 29% were between 20-30 years of age and 71% were between 30-40 years of age. None were above 40.

Regarding education, 64% had pursued a Masters Degree while 36% had undergraduate level of study.

Out of the sample, 7% were from operations, customer service, procurement, Information Technology and marketing department. 21% were from human resource, 14% from finance and 30% from Business Development department.

Most of the senior management have worked for over 3 years, 7% having worked between 1-2 years, 21% having worked between 2-3 years and 72% having worked for over seven years.

4.2 STRATEGIC RESPONSES TO ENVIRONMENTAL CHANGES

4.2.1. Vision of Chase Bank Kenya Limited

The organization has a vision for the future which is:

‘The premier Pan-African relationship bank offering one-stop financial solutions.

Majority of the respondents described competition in the industry as being very strong as summarized in the table below:

Table 2: Extent of competition in the industry

Extent of competition	Number	Percentage
Weak competition	0	0%
Strong competition	1	7%
Very strong competition	12	86%
Hyper competition	1	7%

From the table above, no respondent described competition as being weak, 7% described competition as being strong, 86% as being very strong competition and 7% as being hyper competition.

All the respondents indicated that they review their strategies and this is usually done after every three years.

4.2.2. Technological factors

The interviewee was asked to comment on how technological changes have affected their organization and the strategies they have employed in responding to technological factors. The following data was obtained:

Chase Bank has a cumbersome and complicated banking system. The ongoing core banking system has been a great challenge to the bank as all its processes, policies, procedures, controls and other supporting systems rely entirely on it. The system is slow and therefore clients take a longer time to transact as compared to other banks which have robust systems. Also, the system is not in a position to handle bulky transactions and this has seen consistent system lapses.

Chase Bank's cards are not internationally accepted as they have no international partnerships like VISA or MasterCard. This creates service constraints and encourages multi-banking for High Net Worth clients who would appreciate an international card. There is also no mobile or internet banking to reach out customers.

Technology is driving customer interactions, service delivery and operational costs. Therefore the bank is focusing on changing the core banking system by the end of 2010. The change management team is currently developing a business case for the core banking system, constituting a dedicated project team and are currently assessing what banking software best suits the bank needs.

The bank has recently introduced internet banking services to reach out to clients. Clients are now able to obtain their account balances and statements by use of internet. Internet banking is currently being introduced phase by phase as the bank gets feedback from selected clients and employees for every phase introduced so as to improve on the system.

Plans to have the VISA cards internationally accepted are also in progress. The bank is embarking on deepening money transfer services by signing up more partnerships to be able to offer a variety with convenience to the business and personal customers. The services include the recent two new services which are express money and global transfer services. Chase Bank has also continued to expand its ATM network in line with its strategy of increasing service outlets and customer convenience.

4.2.3 Economic Factors

The interviewee was asked to comment on how economical changes have affected their organization and the strategies they have employed in responding to economical factors. The following data was obtained:

The general Kenya market and economic trends have been summarized in the table below:

Table 3: Kenya's key Economic Trends

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Population	4.2%	3.1%	2.5%	3.0%	2.9%	3.0%	3.0%
GDP (%)	0.6%	2.9%	5.1%	5.8%	6.4%	7.0%	7.0%
Inflation	4.1%	8.4%	16.3%	7.6%	15.6%	12%	21%
Exchange Rate(USD)	78.7%	75.93%	79.28%	75.55%	75%	72.1%	67%

Source: Economic Survey 2008 & Monthly Economic Review, August 2008.

Kenya's economy has been on the raise over the last six years. The political turmoil and resulting clashes at the beginning of year 2008 set Kenya back economically. There has been a lot of market volatility from the effects of the global crisis. Retail customers are converting some of their investments and assets to cash due to market volatility. The increased demand for liquidity has translated to a greater investment in cash or cash equivalent.

The key feature is the on-going global financial crisis. The effects are still unravelling and it is difficult to tell its full implications. However, many experts expect the global economy and liquidity to stabilize within a two year period. This has been a turbulent period for banks in particular presenting new risks and opportunities for growth and enhancement of business operations.

The current economic downtown in the United States of America and increased liquidity levels due to government intervention in the global financial industry has prompted significant changes in exchange rates. This has caused currency volatility particularly with regard to the US dollar. The global economic downtown has contributed to reduced Foreign Direct Investments specifically from the Diaspora, foreign investors and donors.

Chase bank has considered focusing on local markets in the short term and is in the process of creating new innovative products to reduce the reliance on financial income and foreign exchange gains. Apart from focusing on only the high net worth clients, Chase Bank has shifted its strategies to also focus on Small and Medium Enterprises.

The global economic depression has seen banks reduce their lending rates on fixed deposit accounts in order to cut costs. Chase Bank has significantly reduced its interest rates on fixed deposits.

Changes in the economy have affected people's income which in turn affects the saving power. This has significantly affected the bank's deposit base and ability to grow. Chase bank has employed the strategy of continuously and aggressively skewing their advances to increase short term lending and lending has been restricted to being below 5 million.

The bank has also significantly reduced some of its fees and commissions like for withdrawing against uncleared cheques, bankers cheques and bankers drafts.

4.2.4 Political factors/ Government Directives.

The interviewee was asked to comment on how political changes have affected their organization and the strategies they have employed in responding to political factors. The following data was obtained:

Research conducted on political factors that affect Chase Bank showed clearly that the Central Bank of Kenya (C.B.K) regulations have greatly affected the Bank.

The regulatory changes in the regulatory framework particularly in terms of governance, risk management and capitalization have had an impact on the performance of Chase Bank. The Central Bank of Kenya (C.B.K.) has repeatedly pointed out that the financial market is over banked and has created a need to raise the capital. CBK has raised the core capital of all banks which should be at Kenya shillings one billion by the end of year 2010.

CBK also requires all banks in Kenya to be ISO certified by the end of year 2009 and this requires that all customer files should be have all the requirements for account opening. Such documents are like utility bills, pin certificates, source of funds among many others.

Chase Bank has focused on strengthening their boards and senior management teams to meet the regulatory requirements and stringent reviews. The bank has recapitalized to meet the new requirements by the CBK.

In order to reach the core capital target of Kenya shillings one billion by the end of year 2010, the bank has embarked on targeting Kenya Shillings 1billion increase in capital for each year till 2010. The bank has also introduced new shareholders under private placement so as to receive new capital injection. The bank also receives additional share capital from current shareholders. It is also focusing on identifying potential sources of long term debt that would strengthen core capital position. There is also a plan to partner with strategic investors. They are still evaluating partnership and investment opportunities so as to receive new capital injections from strategic investors.

To acquire the ISO certification from CBK, the bank has employed the risk and audit team to go through all the customer files and ensure all the necessary documents are present so as to get approval from CBK.

Chase Bank has taken an integrated and comprehensive approach to CBK compliance requirements to boost efficiency while at the same time improving risk management.

4.2.5 Social factors

The interviewee was asked to comment on how social changes have affected their organization and the strategies they have employed in responding to social factors. The following data was obtained:

Other factors that seemed to affect Chase Bank are social factors, but to a very small extent. Due to the differences in culture, Chase Bank has seen the need to introduce Islamic banking. The bank has appointed sharia banking champion in every branch, rolled out Islamic banking products and acquired sharia banking computers and stationery.

Islamic Banking has changed overtime whereby muslim ladies prefer being served by their fellow ladies. Chase has employed muslims and has designed counters specifically for serving muslims and has ensured that muslim ladies are served their ladies.

4.3 INDUSTRY FORCES

4.3.1 Threat of entry

The interviewee was asked to comment on how threat of entry has affected their organization and the strategies they have employed in responding to threat of entry. The following data was obtained:

There is entrance of new more dynamic players into the local market. African financial institution particularly the West African banks are focusing on expansion across the continent. A number have already established presence in Kenya like ECO Bank and United Bank of Africa. This has posed a great threat to Chase Bank as they have lost key staff particularly at senior management to the new banks and it is only a matter of time before Chase Bank clients move their accounts to the new banks.

Entry by the Islamic banks like Gulf Bank and First Community Bank (F.C.B.) had also posed a great challenge to Chase Bank as they had reaped off most of the bank's Islamic clients. The Chase Eastleigh branch almost went at a huge loss with the entry of the Gulf African Bank in Eastleigh.

Chase bank is currently focusing on building strategic partnerships with other financial institutions in the region. Currently, there is a plan for Chase Bank to partner with United Bank of Africa, though it has taken too long for this plan to be implemented.

Chase Bank has also introduced Islamic banking to avoid loss of its Islamic clients to banks such as Gulf Bank and FCB. The bank is focusing on strengthening Islamic banking by rolling out more innovative Islamic banking products, and has appointed Sharia Banking champion in every branch.

4.3.2 Threat of substitute product

The interviewee was asked to comment on how threat of substitute product has affected their organization and the strategies they have employed in responding to threat of substitute product. The following data was obtained:

Introduction of non-traditional players who offer financial services products such as Safaricom through M-Pesa and Nakumatt, through the cash-back arrangement with Equity Bank has brought about challenges to Chase Bank. M-Pesa has revolutionalized how Kenya people send or receive money, with a majority preferring to use this service as compared to transacting through banks.

Chase Bank has formed a strategic partner with M-Pesa for purposes of growth. The bank has also increased its retail network through partnerships with money transfers such as PesaPoint.

Chase has also incorporated new relationship product development such as bancassurance. It has developed and implemented products, structures and controls of offering the insurance and assurance services in their outlets.

4.3.3 Bargaining power of buyers

The interviewee was asked to comment on how bargaining power of buyers has affected their organization and the strategies they have employed in responding to bargaining power of buyers. The following data was obtained:

In this case, the customers of Chase Bank are the buyers. Customers will look for the best rate rates globally taking into consideration the impact of exchange risk. Client will shift to the banks with the best interest rates. They prefer a bank that has products suited for all their needs and with favorable prices. Chase Bank's clients have moved to other cheaper banks such as Equity Bank Limited, as they have considered Chase Bank to have highly priced products and the majority believe that Chase Bank is a bank for only the High Net Worth clients. Until 2007, Chase had put all its focus on corporate clients.

The bank has increased flexibility by shifting its focus to Small and Medium Enterprises. It has introduced retail products such as the Instant Saver account, Raia Salary account and the Crystal Savings account which is cheap to open and is suitable for the low and medium classed individuals in the country.

Chase bank has also reduced its lending rates from 21% to 18% but this is applied on a case to case basis. It has become fairly flexible in terms of lending rates as compared to other banks.

4.3.4 Competitive Rivalry

The interviewee was asked to comment on how competitive rivalry has affected their organization and the strategies they have employed in responding to competitive rivalry. The following data was obtained:

Competitive rivalry has been on the increase in the financial sector. There is increased price competition among players and low differentiation of products between competing banks.

The table below represents the key competitors per segment.

Table 4: Competitor Evaluation per segment

Segment	**Main Competitor**	**Strength**
High Net Worth individuals	CBA BBK (Prestige and Premier) SCB(Excel and Priority)	Legacy, strong IT platform and IT based products, superior CS, positioning as a HNW bank. Defined models for HNW clients.
Corporate clients	Imperial Bank Bank of Africa Fina Bank Prime Bank	Strength in lending, pricing and flexibility.
Retail clients	NIC Bank SCB BBK Diamond Trust Bank	IT platform, value added services like debit card services, ATM network, defined asset products and established brand names.
SME	Fina Bank Equity Bank K-Rep Bank	Well positioned and focused in this area, strong in lending, pricing, fast turnaround time, flexible and well defined products.

Source: Chase Bank Analysis

An analysis of the financial performance of Chase Bank against its competitors is provided below:

Table 5: Competitor Financial Analysis, 2007

Aspect	**Chase**	**CBA**	**NIC**	**Imperial**	**Fina**
	Kshs ‘000	Kshs ‘000	Kshs ‘000	Kshs ‘000	Kshs ‘000
Total deposits	4,905	36,101	24,806	9,750	9,703
Total advances	69.05%	50.54%	92.23%	75.23%	69.47%
Cost income ratio	56.11%	52.15%	51.97%	57.78%	77.27%
Core capital/total deposit liabilities	15.56%	9.93%	16.36%	16.95%	9.25%
Core capital/total risk weighted assets	15.67%	13.47%	15.78%	17.90%	13.80%
ROCE	25.76%	30.01%	22.16%	35.69%	9.97%

Source: The Banking Survey Kenya 2008.

The analysis highlights the need for Chase Bank to grow its deposit base to remain competitive within its selected target markets. At the same time, with a total advances to deposit ratio of 69%, it demonstrates Chase Bank’s stretched lending base indicating the need to grow its deposit base, a strategic focus that is shared by its competition.

It is therefore not surprising that all its competitors are aggressively growing their branch network. The cost to income ratio ranges from 52% with NIC and CBA to 77% with Fina Bank.

Admittedly, Fina Bank’s change of strategy to focus on the SME market is still at the initial stages and this may contribute in part to it being at outlier. All other comparator banks fall within the 52% to 58%. Chase Bank has the opportunity of being one of the lowest cost operators within its comparator group. Indeed this would increase its margins to 30% range like CBA or Imperial Bank.

Chase Bank has been one of the lowest cost in commissions for withdrawing against uncleared cheques. It gains a 2% commission on the amount withdrawn as compared to other banks like Equity Bank and BBK which are at 3% and 4% respectively. Chase also has competitive foreign exchange pricing compared to other banks.

Chase Bank has also embarked on longer customer interaction time by extending the bank's opening hours. The bank opens its doors at 8.30am and closes at 4.00pm on weekdays, and opens at 9.00am and closes at 2.00pm on weekends. Majority of the banks like BBK and SCB open at 9.00am and close at 3.00pm on weekdays and opens at 9.00am and closes at 11.00am on weekdays. This has seen clients shift from other banks to Chase Bank due to flexibility on the opening hours.

Chase has also continued to expand its ATM network in line with its strategy of increasing service outlets and customer convenience. The bank has also introduced internet and mobile banking services to reach out to customers and to reduce on the long queues in the banking hall.

The bank has focused on strong customer relations with recognition. Chase bank has created and built customer value by delivering innovative products and maintaining strong customer relations. This includes enhancing stake holder confidence through enhanced return to shareholders and additionally undertaking its corporate social responsibility activities to demonstrate due care to the community it serves. In this way, the bank has grown with its clients.

Bargaining power of Suppliers

The interviewee was asked to comment on how bargaining power of suppliers has affected their organization and the strategies they have employed in responding to bargaining power of suppliers. The following data was obtained:

Chase bank has not been affected by the bargaining power of suppliers. The suppliers of goods such as stationery and furniture have hardly increased or reduced the prices or quality of purchased goods or services.

CHAPTER 5:

CONCLUSION

This chapter presents the summary, discussion and conclusions from the research findings. It also includes limitations of the study, suggestions for further research and recommendations for further study.

5.1 SUMMARY, DISCUSSION AND CONCLUSION.

In this section, the results of the study are summarized, discussed and conclusion drawn. The presentation is in order of the objectives of the study. The objectives of the study were one to establish how Chase Bank perceives changes in the environment and industry forces affecting the banking industry and two, to determine the responses of Chase Bank in addressing the environment and industry forces. With respect to these objectives, the study showed that firms cannot remain reactive in the face of changing environment. Chase Bank has had to come up with strategies to respond appropriately to the environmental changes.

On the perception of Chase bank to environmental changes, the organization perceives the economical factors as the most environmental factor that has affected it. This is mostly due to the Kenya’s economy that has been on the raise over the last three years. The on-going financial crisis seems to be the key feature and has reduced Foreign Direct Investments specifically from the Diaspora, foreign investors and donors. However, the bank has responded to this by considering focusing on local markets in the short term and is in the process of creating new products to reduce the reliance on financial income and foreign exchange gains.

The bank also seems to be affected strongly by technological changes. Chase bank has an undependable core banking system which is complicate and cumbersome. But there are still plans to changing the system by the end of 2010. The system cannot handle bank and this has caused system lapses every other time. However, the bank is doing well in terms of cards. Their cards are internationally accepted and this has encouraged multi-banking for the High Net Worth clients who appreciate international cards. The organization has also implemented mobile and Internet banking.

On the perception of the bank to industry forces, the organization perceives the intensity of competition as very high. There have been many entrants in the industry. This increases the bargaining power of customers. Customers are demanding high quality services at lower costs. Clients are increasingly becoming aware of their rights and have very many alternative banks to move to.

Chase bank is operating in a free market therefore entry to the industry is not prohibited. The biggest threat the firm is facing is the fact that it does not advertise to make itself aware to the consumers but its rivals such as CBA, Fina Bank and BBK are aggressively advertising. Without advertising, it is difficult to reach their target markets .

Chase bank is also affected strongly by competition. Most people perceive Chase bank as a bank for the rich people and most clients tend to move away from the bank to other cheaper banks with better rates. From the interview guide, it was clear that most of the organizations' products seem to be more expensive than for other banks. But plans on how to reduce the prices are still being discussed.

As a conclusion to the discussion above, it is clear that Chase Bank recognizes the fact that it is working in a dynamic environment. It also realizes that for it to sustain good performance, it has to continually make changes so as to adapt to the environment. The firm sees the need to delight its customers by satisfying their needs and exceeding their expectations. The firm has chosen to adopt a proactive posture.

5.2 LIMITATIONS OF THE STUDY

The organization could not disclose all the details of its operations because information on competition is considered confidential. The industry has many players thus other firms in the industry could use information from one firm for their advantage. The firm was not willing to discuss the nature of its internal environment. The firm was not also comfortable discussing the specific strategies that it intends to use in the future to compete. This limited gathering of relevant information.

The study was also carried out within limited time and resources. This constrained the scope as well as the depth of the research. In addition, because the research utilized a case study design, the findings cannot be used to make generalizations regarding planning in other banks in Kenya. Also, the environmental changes are still taking place and the bank is still responding to these changes.

This study focused on the senior management staff involved in strategic issues. It proved extremely difficult to access the Chief Executive Officer and this made the researcher opt the views of head of departments and branch managers. The Chief Executive Officer has a deeper understanding of strategic issues and would have given more clear responses.

5.3 RECOMMENDATIONS FOR FURTHER RESEARCH

A further study can be carried to outline the strategic responses to environmental changes by other banks in Kenya.

The organization gave strategies that it is applying in response to the changes in the environmental and industry forces. It may be interesting to find out how the firm formulates these strategies. Specifically to determine factors which influence the choice of strategies within the organization.

REFERENCES

Alexander, L.D (1985). Successfully implementing strategies and decisions. Long Range Planning, vol. 18 No. 3, Pp.-97.

Ansoff, I and Mc Donnell, E (1990). Implanting Strategic Management. 2nd edition, Prentice-Hall, London.

Aosa, E (1992). "An Empirical Investigation Of Aspects Of Strategy Formulation And Implementation within Large Private Manufacturing Companies in Kenya" Unpublished PHD Dissertation, University Of Strathcylde, Scotland.

Bateman, T.S and Zeithaml, C.P (1993). Management: Function & Strategy. 2nd Edition, Irwin Publishers, U.S.A.

Chase Bank Limited Strategic Plan (December, 2008) By Altima Africa

Brockhoff, K. (1995). Corporate Strategies in Environmental Management. Analytical 1995. Pp30-37.

Daniels, L. and Mead, C. (1998). The Contribution of Small Enterprises to Household and National Income in Kenya. Economic Development and Cultural Change.

Day, G, (1994). Continuous Learning about Markets. California Management Review 3 (summer) pp.9-31.

Johnson, G, Scholes, K and Whittington, R (2005). Exploring corporate Strategy Text and Cases. 7th Edition, Prentice Hall, London.

Kappler, R and Moore, G (1999). SME's and the Environment: Across-national exploration of the involvement of SME's in the sustainable process. The 1999 business strategy and the environment conference, Leeds. Pp162-171.

Kariuki, P. W. (2007). Competitive Strategies adopted by exhibition stalls in the Nairobi Central Business district. Unpublished MBA thesis.

Kasende L (2001). Financing SMEs; Uganda's experience. Paper submitted to the UNCTAD Expert meeting on Improving the competitiveness of SMEs in developing countries, the role of finance to enhance enterprise Development, on 22-24 October.

Kathuku, J. K (2005). The Strategic responses to changes in the environment by the Co-operative Bank of Kenya. Unpublished MBA thesis.

Kothari, C.R (2004). Research Methodology: Methods & Techniques. 2nd Edition, New Age International Publishers, Delhi

Kotler, P (2003). Marketing Management. 11th edition, Prentice Hall, U.S.A

Lee, R. P. and Grewal, R. (2004), Strategic Responses New Technologies and Their Impact on Firm Performance. Journal of Marketing Vo.68 (Oct) pp.157-171.

Mintzberg, H and Quinn, J. B. (1991). The Strategy Process: Concepts, Contexts, Cases. 2nd edition, Englewood Cliffs, Prentice-Hall, New Jersey.

Mintzberg H, Lampel J, Quinn, J.B and Ghoshal S. (2003). The Strategy Process: Concepts, Contexts, Cases. 4th Edition, Pearson Education, London.

Montaben, F. (2000). ISO 1400: Assessing its Perceived impact on corporate performance. Journal of supply chain management Vol.36 pp.4-16.

Nairobi Central business District Association NCBDA (2004). Street Vending in Nairobi: A Socio-Economic Survey in the Central Business District- Nairobi.NCBDA Secretariat, Nairobi.

Pacific Economic Cooperation Council (2003). Financing small and medium enterprises challenges and options. PECC international secretariat. Thailand.

Pearce, J.A and Robinson, R (2003).” Strategic management: Formulation and implementation.” 8th edition, McGraw-Hill, New York.

Pearce, J.A and Robinson, R (2007). Strategic Management; Formulation, Implementation and Control. 10th Edition, McGraw-Hill, New York.

Porter, M. E. (1980). Competitive Strategy: Techniques for analyzing industries and competitors. Little Brown. New York: Free Press.

Porter, M.E (1985). Competitive Advantage. New York: Free Press.

Republic of Kenya (2008). Economic Survey 2008. The Government Printer, Nairobi.

Republic of Kenya (2007). Economic Survey 2007. The Government Printer, Nairobi.

Republic of Kenya (1992). Sessional Paper No.2 of 1992 on Small Enterprise and Jua Kali Development in Kenya. The Government Printer, Nairobi.

Republic of Kenya (2005). Sessional Paper No.2 of 2005 on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction. The Government Printer, Nairobi.

Schendel, D. E and Hofer, C. W (1979). "Strategic Management". A new view of business policy and planning. Little Brown, Boston.

Smith, B. (2002) Strategic Responses to Market Changes. International Journal of Medical Marketing Vol. 3 No.1 pp80-85.

Thompson, A. A. and Strickland, A. J. (2002). Strategic Management: Concepts and Cases. Irwin, New York.

Thompson Jr, A.A, Strickland, A.J and Gamble, J.E (2007). Crafting and Executing Strategy: Text and Readings. 15th Edition, McGraw-hill Publishers, New York.

Thwaites, D and Glaister, K. (1992). International Journal of Bank Marketing, Vol. 10, pg. 33-40.

Walker, G. (2004). Modern Competitive Strategy. Irwin, Boston.

Waweru R. (2002) "A Survey of Pattern Enterprise Growth in Micro and Small Manufacturing Firms" Unpublished MBA project of the University of Nairobi.

World Bank. (2004). The World Bank enterprise development project: with the objective of stimulating economic growth by small and medium enterprises. World Bank report, Nairobi.

APPENDICES

Appendix (1): Interview Guide

Section One: General Background Information

1. Name of employee ---
2. What is your gender---
3. What is your age--
4. What is your level of education ---
5. Which department do you work for---
6. How long have you been employed by Chase bank----------------------------------

Section Two: Strategic Responses to Environmental Changes

7. Does your business have a vision for the future?

----

8. How do you describe competition in your industry?

   a) Weak competition [ ]

   b) Strong competition [ ]

   c) Very strong competition [ ]

   d) Hyper competition [ ]

9. Do you regularly review your strategies?

   If yes, how often?

   ----

10. Please state how the following changes have affected your organization and the strategies you have employed in responding to the following factors:

a) Technological Changes

----

b) Economical Changes

----

c) Political changes

----

d) Social factors

Section Three: Responses adopted to changes in industry forces.

11. Please state and briefly explain the nature of changes you consider to have occurred in each of the following factors and strategies employed in managing these factors?

a) Threat of entry

----

b) Threat of substitute product

----

c) Bargaining power of buyers

----

d) Bargaining power of suppliers

e) Competitive Rivalry