AN INVESTIGATION OF THE COMPETITIVE STRATEGIES ADOPTED BY THE NATIONAL BANK OF KENYA IN DEALING WITH ITS COMPETITIVE ENVIRONMENT

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DECLARATION

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

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This management project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

To my family: Andrew, Joyce, Nancy, George, Albert and Joseph for your love and patience.

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ABSTRACT

The changes in business environment brought about by globalization and liberalization has increased competition in the Banking sector reducing market share of most banks. Customers have become increasingly aware and demanding and the successful survival by any single bank depends on production, packaging and delivering products and services which offer superior value then competitor's products. Creating and maintaining a competitive edge over rival firms requires embracing strategic management practices. Consequently, the National Bank of Kenya ltd has adopted strategies aimed assisting the Bank to maintain its competitive position in the financial market.

The objective of this research project was to establish the competitive strategies adopted by the National Bank to deal with its competitive environment. The study used a case study research design. The research utilized the primary data collection method mainly personal interview technique with the National Bank of Kenya General Manager Operation, General Manager Business development and General Manager Marketing. This was an in depth and comprehensive inquiry on the competitive strategies adopted by the National Bank to deal with its competitive environment. Primary data was collected through an interview using an interview guide and posing of mostly open-ended questions. The questions were administered through personal interviews of the respondents. This was a qualitative study and data was analyzed using content analysis.

The study found that strategic planning practices exist at the Bank that are geared to ensure the Bank maintains a competitive edge. The results showed that the cost leadership and expansion strategies are used to a large extent while differentiation was the least used strategy. Strategic management

practices have impact on performance of the Bank as was depicted by notable improvement in sales and profits due to adequate strategy formulation. It was recommended that the firm invest more on differentiation. This is because the Banking industry tends to offer similar products and differentiation would be appropriate in order to ensure the Bank attracts a larger number of customers.

The study showed that strategy formulation was also dependent on customers' needs and wants. There are systems in place to ensure that all the customers need were taken care of despite the challenge of rapid technological changes and continuous change in customer need. The feedback systems put in place were: suggestion boxes, workshop with clients, customer visits, personalized customer service and an online questionnaire for the customer to fill.

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CHAPTER ONE: INTRODUCTION

1.1. Background of the study

In the present world, competition has become a big challenge as every firm is trying to outperform the other. The banking industry in general is a very competitive industry as each individual bank is trying to be in the front line in service delivery, customer service and ensuring sufficient convenience to the customers just to mention a few. The National bank of Kenya is trying to satisfy its customers while on the other hand there is the need to cut down on its general cost incurred in order to ensure an increase their overall profitability.

According to Pearce and Robinson (1997), in order to achieve goals and objectives it is necessary for organizations to adjust to their environment. Designing viable strategies for a firm requires adequate understanding of the firm's industry and competition. The state of competition in an industry is rooted in its underlying economics and depends on the competitive forces that work to define and/or characterize the industry structure.

Strategy serves as a vehicle for achieving consistent decision making across different departments and individuals. Hamel and Prahalad (1989), view organization as composed of many individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination, the strategy process acts as a communication mechanism within the firm. The shift of responsibility of strategic planning from corporate planning departments to line managers and the increased emphasis on discussion (as opposed to the formal approval of written plans) are part of this increased emphasis on strategic planning as a process for achieving coordination and consensus within companies (Buzzel and Gale, 1989).

Schendel and Hofer (1979), explain that organizations respond to turbulence in the environment by formulating new strategies. These provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment.

Banks are increasingly indulging in competitive practices compared to the 1990's. There has been an increase in commercial advertisements on the newspapers, billboards, television among other media to create awareness of the products offered. Despite this competitive environment, the National Bank of Kenya has aimed staying afloat with competition by creating awareness on its products.

1.1.1. The concept of competitiveness

The essence of strategy formulation is to cope with competition. Competition should therefore, not be looked at from a narrow perspective since competition in an industry is rooted in its underlying economic and competitive forces exist that go well beyond established combatants in a particular industry. Customer, suppliers, potential entrants, and substitute products are all competitors that may be less prominent or active depending on the industry (Pearce and Robinson, 1991).

According to Gerry, Kevan and Richard, (2008), strategic positioning is concerned with the impact of strategy on the external environment, an organization's strategic capacity (resources and competences), the expectations and influence.

Hamel and Prahalad (1989), defines a core competence as an area of specialized expertise that is the results of harmonizing complex streams of technology and work activities. They further explain that a core competence has three characteristics. It provides access to a wide variety of markets, it increases perceived customer benefits and lastly it is hard for competitor to imitate.

Porter (1985), argues that superior performance can be achieved in a competitive industry through the pursuit of the generic strategies. He defines generic strategies as the development of an overall cost leadership, differentiation or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience low performance when compared to firms that pursue a generic strategy. Strategy is about selecting the set of activities, in which an organization will excel to create a sustainable difference in the market. Generic competitive strategies are adopted to ensure that a firm in an industry achieves a competitive position. A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of this model is to ensure above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantages a firm can possess: low cost or differentiation.

Competitive strategy is concerned with the basis on which a business unit might achieve competitive advantage in its market. In competitive situations, customers make choices on the basis of their perception of value for money, the combination of price and perceived product or service benefit (Gerry, Kevan and Richard, 2008).

According to Pearce and Robinson (1991), the strongest competitive forces determine the profitability of an industry and so of the greatest importance in strategy formulation. For example given a company with a strong position in an industry, unthreatened by potential entrants will earn low returns if it faces a superior or a low cost substitute product.

1.1.2. Banking Industry in Kenya

The banking industry in Kenya is regulated by the Central Bank of Kenya (CBK) Act (Cap 491) and the Banking act (Cap 488). These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy. The banks have come together under the Kenya Banking Association, which services as a regulatory body for the banks interests and also address issues affecting members. The industry is dominated by a few foreign owned and some are locally owned. As noted by the KPMG (2006), key issues affecting the banking industry in Kenya are change in the regulatory framework, where liberalization exists, decline interest margins due to customer's pressure leading to mergers and reorganization, increase demand for non- traditional services and move towards emphasis on the customer rather than the product and introduction of non-traditional players who offer financial services and products.

1.1.2.1. Stability in the banking system

The banking system remained relatively stable from the 1999 compared to 1998 when five commercial banks were placed unde

r statutory management by the Central Bank. Measures put in place by the Central Bank to rescue the banks under statutory management continued successfully.

PricewaterhouseCooper (2008), stated that to further strengthen the banking system and enhance surveillance in the industry, the Central Bank took these actions. Firstly, bank Supervision Department was strengthened to enhance closer surveillance aimed at detecting banking problems early enough so as to take preventive action. Secondly, guidelines for risk classification of loans were revised and issued to facilitate better credit risk assessment. Thirdly, the banks continued to encourage formation of credit reference and credit rating agencies in order to enhance credit risk assessment. The first credit reference bureau was launched in February 1999 and a credit rating agency was also put in operation. A circular in respect of borrowing by directors of banking institutions requiring their loans to be at commercial rates was issued. Another regulation was that, system of vetting directors and chief executives of banks prior to being appointed was implemented. Finally, the disclosure of the financial performance was enhanced as a way of ensuring better market discipline. The banks are now required to publish non-performing loans as well as loans issued to the directors.

The Banking Act was amended further in 1999 so as to be in line with the regional and international banking regulations as follows:

1. A capital requirement was adopted in order to be in line with the Basle Committee Accord and International Supervisory practice.
2. Central Bank prescribed limits on the preparation of core capital that may be invested in purchase or acquisition of land.
3. Institutions to disclose to the Central Bank the full particulars of the individuals who hold shares in the banking institutions.

1.1.4. History of the National Bank of Kenya

National Bank of Kenya Limited (NBK) was incorporated on 19th June 1968 and officially opened on Thursday November 14th 1968.The objective for which it was formed was to help Kenyans to get access to credit and control their economy after independence.

In 1994, the Government reduced its shareholding by thirty two percent (forty Million Shares) to members of the public. Again in May 1996, it further reduced its Shareholding by forty million Shares to the public the current Shareholding now stands at: National Social Security Fund (NSSF) forty eight percent General Public – thirty percent Kenya Government twenty three percent. During the thirty forth AGM held on 25th April 2003 the bank increased its Share Capital by six Billion i.e. from three Billion to nine billion through the creation of one million two hundred thousand non-cumulative preference Shares of five shillings each.

These Shares are at the disposal of the board who will offer them in accordance with the Bank's articles, the CMA rules and the Companies Act. NBK is a major player in Kenya's banking industry. It is one of the largest banks in the country giving financial services to all sectors of the economy. The bank will continue to cover the financial landscape and respond positively to the needs of its customers, Shareholders and the economy besides offering traditional financial services and products. NBK has taken a leading role in the issuance and promotion of modern delivery and payment systems. The Bank has also been involved in the stock market playing multiple roles as an arranger, underwriter and placing agent. NBK is an appointed fiscal agent, registrar and market maker in the secondary market. NBK operates one subsidiary Company; NatBank Trustee and Investment Services Limited incorporated in Kenya on 21st Jul 1995 with a Share Capital of ten Million (National Bank of Kenya, 2009).

1.2. Statement of the problem

The environment which a business operates faces stiff competition due to the existence of other firms that producing and/or selling the same products or services. According to Thompson, SticklandIII, and Gamble (2007), a company's strategy is management's action plan for running the business and conducting operations. The Crafting of strategy representation is a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations and improving the company's financial status.

Though these challenges of competition; existence of close substitutes for example M-pesa, rivalry within the industry, among others poses a major problem to an individual banking firm, scanty research has been done. The study done by Kok (2008) on strategic response by the Barclays Bank of Kenya Ltd to changes in the environment did not provide sufficient information on the strategic response of the National Bank of Kenya as it focused on Barclays Bank.

Different firms adopt different competitive strategies which are unique in each context. This is due to common challenges found in a competitive environment such as imitation of products, bribery, poaching of personnel by the competitor and existence of close substitutes such as M-pesa. There is therefore the need to investigation the competitive strategies adopted by the National Bank of Kenya in dealing with its competitive environment. The gap to be filled in this area of study is answering the question:
What competitive strategies has the National Bank of Kenya adopted to cope with the competitive environment?

1.3. Research objective

The objective of the research is to establish the competitive strategies adopted by the National Bank of Kenya to cope with its competitive environment.

1.4. Significance of the study

The proposed study will provide a valuable insight into the concept of competitiveness in the National Bank of Kenya. The finding from this study will be relevant to the following parties:

1. The finding from this research can offer very useful information for policy makers. It can be used as a benchmark to determine the progress of activities and achievements in dealing with the competition.

2. It will also contribute to existing academic literature in the field of strategic management. It will also guide further research in the field of change management and formulation and implementation of strategies in organizations.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

This chapter focuses on review of related literature on the competitive strategies adopted by the national bank in dealing with its competitive environment. The literature review provides the researcher with information relevant to the study and indicates what research has already been done on the topic under study. Reasons for conducting a literature review includes: avoiding duplication of a previous study, enabling the researcher to develop a relevant framework for his research, provide ideas on the area of study, reveal research strategies and guide the researcher in discussing the results of the current study by comparing and contrasting specific studies results with those previously reported studies.

Strategy has long been used implicitly in different ways even if it has been defined in only one. Explicit recognition of multiple definitions can help people maneuver through difficult fields. Accordingly, five definitions of strategy are presented here- as plan, ploy, pattern, position, and perspective- and some of their interrelationships are the considered (Mintzberg et al, 2003).

David (2000), defines strategy as the match between what a company can do (organization strength and weaknesses) within the universe of what it might do (opportunities and threats). Wu, Chou and Wu (2004), wrote the art of war which states "it is best to win without fighting" that is, winning through superior position.

Determining the strategy of an organization is only one functions of management. It is however, arguably the most significantly area of management decision-making and more importantly one in which to make the right decision. Strategy is about winning by doing the right things and therefore in essences strategy address firm's effectiveness as opposed to efficiency.

2.2. The concept of competitiveness

Increased competition threatens the attractiveness of an industry and reducing the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive responses to anticipated and actual change in the competitive environments. Firms therefore focus on gaining competitive advantage to enable them respond to and compete effectively in the markets. By identifying core competences, firms are able to concentrate on areas that give them a lead over competitors and provide a competitive advantage. According to Johnson and Scholes (2002), core competences are more robust and difficult to imitate because they relate to the management of linkages within the organization value chain and to linkage into the supply and distribution channels.

There are countless variations in the competitive strategies that companies employ. This is mainly because each company's strategic approach is designed to fit its own circumstances and industry environment Thompson, stickland III and gamble (2007).

According to Gerry, Kevan and Richard (2008), if an organization is to achieve competitive advantage by delivering value to customers, managers need to understand which, activities they can undertake in terms of creating value. The value chain and value network concepts can be helpful in understanding this. The value chain describes the categories of activities within and around an organization, which together create a product or service.

In order for any firm to understand its competitive environment it's important to conduct a SWOT analysis. A SWOT analysis is a summary of the key issues the business environment and the strategic capability of an organization that, are most likely to impact on strategy development. The aim is to identify the extent to which strengths and weaknesses are relevant or capable of dealing with, the changes taking place in the business environment (Gerry, Kevan and Richard, 2008).

Pearce and Robinson (1997), states that in order to achieve their goals and objectives, it is necessary for organizations to adjust to their environment. Designing viable strategies for a firm requires thorough understanding of the firm's industry and competition. The state of competition in an industry, which is rooted in its underlying economics, depends on the competitive forces that work to define and or characterize the industry structure.

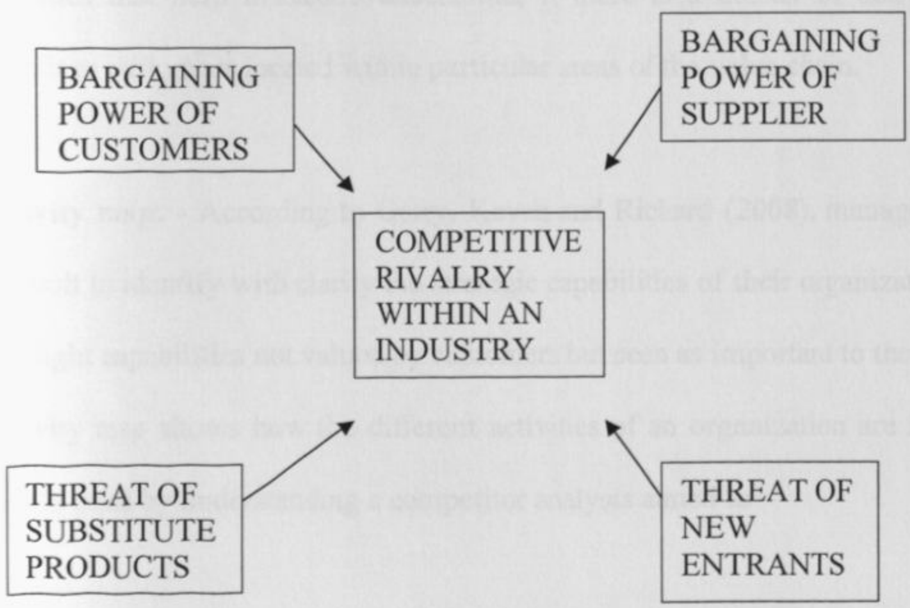
A competitive strategy enables a firm to define its business today and tomorrow and determine the industries or markets to compete. The intensity of competition in an industry determines its profits potential and competitive attractiveness. Competitive strategy will assist a firm in recording to the competitive forces in these industries or markets (from suppliers, rivals, new entrants, substitutes and customers). Competitive strategies will be vital to a firm while developing its functional approach to attain competitive edge (low prices, differentiation, niche), the size or market position it plans to achieve and its focus and method for growth (Gathoga, 2001).

Competitive pressure is forcing corporations to adopt new flexible strategies and structures. Many of these are familiar, for instance, acquisition and divestitures aimed at more focused combination of business activities, reduction in management structures and increased use of performance based rewards. The concept of organization restructuring or reorganization is all about changing the organization, the equivalent of self administering surgery with no insurance, no anesthetic and no assurance of long term heath (Grant, 2000).

Burns (1998), comments that the concern in real-time response is to minimize the total loss and restore profitability to ensure organization's success in a turbulent and surprising environment. He also observed that unstable and unpredictable conditions in which an organization have to operate today means the ability to think strategically and manage strategic change successfully. This is key competitive strength for a sustainable competitive advantage. Real time strategic issues responses are necessary to facilitate the firm's preparedness in handling the impending issues, which may have profound impact on the firm.

Porter (1985), observes that the essence of formulating competitive strategy is relating a company to its external environment. Although the relevant environment is very broad, encompassing social as well as economic forces, the key aspect of the firm's environment is the industries in which it competes. Industry structure has a strong influence in determining the competitive rules of the game as well the strategies potentially available to the firm. Forces outside the industry are significant primarily in relative sense. This is because outside forces usually affect all firms in the industry. The key is found in the different abilities to deal with these forces. Porter (1985), provides a framework that models an industry as being influenced by five forces. Strategic business managers seeking to develop an edge over rival firms have used this model to better understand the industry the firm operates.

Fig. I. Five competitive force model (Porter, 1985)



2.3. Analysis for competitive advantage

According to Gerry, Kevan and Richard (2008), in order to achieve a competitive advantage, one should ask what strategic capabilities might provide competitive advantage in ways that can be sustained over time. It is important to emphasize that if an organization seeks to build competitive advantage, it must have the capabilities that are of value to its customers. Competitive advantage might be achieved if a competitor posses a unique or rare capability.

The value chain: - The value chain describes the categories of activities within and around an organization which together create a product or service. Primary activities are directly concerned with the creation or delivery of a product or service. Each of these groups of primary activities is linked to support activities. Support activities help to improve the effectiveness of primary activities. Value chain is a generic description of activities that help managers understand, if there is a cluster of activities providing benefit to customers located within particular areas of the value chain.

Activity map: - According to Gerry, Kevan and Richard (2008), managers often find it difficult to identify with clarity the strategic capabilities of their organization. They often highlight capabilities not valued by customers but seen as important to the firm.
Activity map shows how the different activities of an organization are linked together. This is done by understanding a competitor analysis aimed to

1. Critical success factors in relation to other customer.
2. How to outperform competitors based on customer preferences in service delivery.

Benchmarking: - According to Thompson, Strickland and Gamble (2007), benchmarking entails comparing how different companies perform various value chain activities: purchases of materials, payment of supplies, and management of inventories. It is a tool that allows a company to determine whether its performance of particular functions represents the best practice when both cost and efficiency are taken into account.

Bench marking can be used as a way of understanding how an organization's strategic capability in terms of internal process, compared with those of other organizations.

(Kok, 2008), noted that the different approaches to benchmarking are:

Historical benchmarking- Comparison of organization performance in relation to previous year in order to identify any significant change.

Industry/Sector benchmarking- Insight about performance standards can be analyzed by looking at the comparative performance of other organization in the same industry sector or between other service providers.

Best-in –the-class benchmarking – This is comparison with the best in the class performance.

SWOT analysis: - This refers to the strength, weakness opportunity and threats. It summaries the key issues from the business environment and the strategic capability of an organization, that are most likely to impact on strategic developments.

2.4. Competitive Strategies adopted

The relationship between the strategies adopted by a firm and its competitive positioning can be interpreted using the following diagram:

Fig. II. Relationship between strategies adopted and competitiveness (Hamel and Prahalad, 1989)

Porter (1985), developed a generic competitive strategy that is used in the modern edge to ensure a firm gains a competitive advantage. Gerry, Kevan and Richard (2008), indicate that Porter (1985), proposed three different 'generic' strategies by which, an organization could achieve competitive advantage: overall cost leadership, differentiation and focus. These are based on the principle that competitive advantage is achieved by providing customers with what they what, or need or efficiently than competitors.

2.4.1. Generic Competitive Strategies

Porter (1985), has described a category scheme consisting of three general types of strategies that are commonly used by businesses to achieve and maintain competitiveness. Porter (1985), identified two competences that he felt were most important which are product differentiation and product cost.

Fig. III. Generic competitive strategy model (Porter, 1985)

Broad target	Cost leadership	Differentiation
Narrow target	Cost focus	Differentiation focus

2.4.1.1. Differentiation Strategy

This refers to the creation of goods and services that are perceived throughout its industry as unique. The firm can then charge a premium for this product. This specialty can be associated with design, brand image, technology, features, dealers, network or customers' service.

Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyers' loyalty can also serve as barrier to entry of new firms. Therefore, for a new firm to fit-in it must develop a distinctive competence to differentiate its products in order to compete successfully (David, 2000).

2.4.1.2. Focus or Strategic Scope

This dimension describes the scope over which the company should compete based on cost leadership or differentiation. This requires the concentration of a narrow focus.
In focusing on the company will concentrate on a few market segments.
The choice of offering low prices or differentiated products/services should depend on the needs of the selected segment and the resources and capabilities of the firm.

It is hoped that by focusing the marketing efforts on one or two narrow market segments and tailoring the marketing mix to these specialized markets, the needs of that target market can be met best. The firm typically looks to gain a competitive advantage through product innovation and brand marketing rather than efficiency. This strategy should be used in a segment where the probability of substitution is less or where competition is weakest in order to earn above average returns.

2.5. Challenges the National Bank has faced while dealing with the competition

KPMG (2008), noted that the National Bank of Kenya mainly operates in the local market unlike some of its competitors such as the Barclays, Citi Bank among others that operates. These Banks have greater exposure in terms of diverse customers and greater technological that enables them to be top in the competitive scenery. Major decision making by the National Bank of Kenya has to be approved by parliament. This generally leads to slow implementation of major undertakings such as expansion. Effect of slow decision making affects the market share and profitability of the firm

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This is a case study on the National Bank of Kenya (NBK). It involves an in-depth investigation of the strategies adopted to deal with its competitive forces namely buyers, suppliers, substitutes, rivalry and threat of entry. The choice of the firm is based on the fact that it has continued to carry out profitable operations in Kenya over the years inspite of the constant changing Kenyan business environment. The complexity of the National Bank of Kenya competitive environment has forced it to keep adjusting its strategies to adopt or be faced out. A similar study (Kok, 2008) has been successfully adopted in this study.

3.2. Data collection

The research utilized the primary data collection method mainly personal interview technique with three managers from the top management. The questionnaires were emailed to the respondents for them to be conversant with the questions. This was followed by phone call to book appointment for the interview. The three top management of the National Bank of Kenya were selected through convenient sampling.

The interactive nature of this method of data collection enabled the clarification and exhaustion of the coverage of the research questions as compared to the other methods such as posted questionnaire (Bogdan and Taylor, 1975). The qualitative data provided a better feel which could not be experienced in numerical data and statistical analysis used in qualitative research (Cassell and Symon, 1994)

3.3. Data analysis

Qualitative approach analysis is a research method which is much more dependent on, interviews, observations, focus groups, subjective reports and case studies. By design qualitative research method, usually deals with much smaller numbers compared to quantitative approach (Robson 2002).

Nachmias and Nachmias (1996) defines content analysis as a technique for making inferences by systematically and objectively identifying characteristics of messages and using the same approach to relate trends. The nature of data collection was qualitative. The respondent's motives, feelings, tone of voice, facial expression and hesitation were being taken into consideration in the analysis. These descriptive analytical techniques have been used in related studies in the past including Muriuki (2005) and Kok (2008).

3.4. Research setting

The research utilized the primary data collection method mainly personal interview technique with the General Manager Operation, General Manager Business development and General Manager Marketing. The venue for the interviews was at the National Bank of Kenya Head office located at the Harambee Avenue. Each interview took a minimum of fifteen minutes. The respondent's motives, feelings, tone of voice, facial expression and hesitation were being taken into consideration in the analysis.

CHAPTER FOUR: RESULTS AND DATA ANALYSIS

4.1. Introduction

This chapter presents results and analysis of data. Detailed analysis have been presented in this section in line with the stated objectives in chapter one. Results have been presented in two parts mainly general information and extent to which National Bank of Kenya has satisfied conditions necessary for developing and implementation of competitive strategies.

4.2. General information

Results indicated that the General Mangers interviewed had several years of work experience within the National Bank ltd. The managers with longest work experience with the Bank had accumulated work experience of twenty seven years while the managers with low work experience within the Bank had worked eight years with the Bank. On average, managers had thirteen years of work experience with the National Bank.

4.3. National Bank Competitive environment

The respondents commented that some of the challenges they encounter when dealing with the rivals is that in some cases bribes are used by rival companies in the industry inorder to entice the corporate accounts to transfer their accounts. In addition, rivals can spy on a new idea that is yet to be launched and they make an imitation of the same just before they bring the idea to the market. This reduces the expected sales and thus the general profits.

When the respondents were asked on the latest entrants M-pesa, they commented that the M-pesa had only managed to attract the low earning customer share. They said they had adopted the strategy of "if you can't beat them join them." The M-pesa services were incorporated in the Bank's service and for this reason the profits per transaction are divided between Safaricom and National Bank.

The respondents were asked to ascertain as to whether there was a system to keep track of customer satisfaction. They responded that systems were in place to ensure that all the customers need were taken care of despite the challenge of rapid technological changes and continuous change in customer need. The feedback systems put in place were: suggestion boxes, workshop with clients, customer visits, personalized customer service and an online questionnaire for the customer to fill.

4.3. Analysis of internal and external environment

The corporate objectives of the Bank were identified as to continuous improve the Bank's results and efficiency, enhance the quality of services offered and give customers the range of financial services they have every right to expect. The study found that each business unit has specific objectives clearly cut out from the broad corporate objectives. This practice is a clear manifestation of the strategic planning to ensure that the company stays afloat despite completion.

Findings from the study indicate that the Bank considers growth, liquidity ratios and profitability trends when analyzing the industry. However, details of these key parameters were scanty. It was further found that the Bank has a marketing research department and analysis of the external environment is done every three calendar months (quarterly). The factors considered when analyzing external environment include close substitutes e.g. M-pesa, Co-operative societies, and Banks in the industry.

4.4. Strategies

Strategies are inevitable for any firm's success particularly in a competitive market such as the banking sector. The study found that building on their success, the Bank has lined up strategies which will ensure sustained. Growth for the coming years growth strategies single out by the Bank include innovative services delivery to customers, broadening at the products range and services, broadening at the product s range and services and direct sales marketing. The managers believe that these strategies shall make it easier for Bank to achieve differentiation and an unassailable competitive advantage over competitor.

Table I.: The extent to which National Bank of Kenya employs various strategies

	N	mean	Std. deviation
Extent to which Bank uses cost leadership	3	4.6667	.57735
Extent to which Bank uses focus	3	1.6667	.57735
Extent to which the Bank uses penetration	3	2.3333	.57735
Extent to which the Bank uses retrenchment	3	3.6667	.57735
Extent to which the Bank uses divestiture	3	3.0000	.00000
Extent to which the Bank uses consolidation	3	1.6667	.57735
Extent to which the Bank uses differentiation	3	1.3333	.57735

CHAPTER FIVE: DISSUSSION, SUMMARY AND CONCLUSION

5.1. Introduction

This chapter discussion of the results, summary of the findings of the study as well as conclusion gathered from analysis of data. Finding have been summarized alongside objectives of the study, conclusion have been drawn and recommendation given. The case was a study of competitive strategies adopted by the National Bank of Kenya in dealing with its competitive environment. It was aimed at determining and evaluating the competitive strategies adopted by the National Bank of Kenya in coping with its competitive environment.

5.2. Summary

Results of the study indicate that National Bank had been faced with stiff competition in the industry. This is due to unethical practices such as use of bribery by the rivals to entice corporate customers to transfer their accounts and imitation of new products. The existence of a strong substitute mainly M-pesa has come out as a major threat since the National Bank has adopted the strategy of "if you can't beat them join them".

The results also showed that the National Bank embraces strategies to cope with its competitive environment. The Bank has lined up strategies which will ensure sustained growth for coming years. It was revealed that cost leadership and retrenchment are the most used strategies. An evaluation of criteria used by the bank when making strategic choices revealed that sustainable competitive advantage was used by the bank to a large extent. All respondents agreed that differentiation is important but they could not explain how the National Bank of Kenya differentiated its products.

Despite the enormous resources which a company implementation of strategy, it was found that the Bank attached value on the direct impact of strategy on sales therefore the competitive position.

Findings from the study indicate that the Bank considers growth, liquidity ratios and profitability trends when analyzing the industry. However, details of these key parameters were scanty. It was further found that the Bank has a marketing research department and that the analysis of the external environment (competitors, substitutes and customers) is done every three calendar months (quarterly). This assists in deciding the strategies the firm is to adopt in order to maintain a competitive position in the industry.

5.3. Conclusion

From the finds and discussion it is evident that strategies have been embraced by the National Bank of Kenya to deal with its competitive environment. Strategies have direct impact on the level of expansion and innovation embraced. It was also evident that the Bank has done little in terms of differentiating its products.

5.4. Recommendation

From the results of the study and subsequent discussion it is important that managers acquaint themselves with innovative skills to ensure that the firm's products are adequately differentiated and more research should be done on the same.

Communication of the firm's products to the customers is very important since it leads to the increase of profitability. The National Bank of Kenya should therefore increase the intensity of its commercial advertisements inorder to lead to an increase of the customer portfolio.

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APPENDIX I: LETTER OF INTRODUCTION

AUGUST, 2010

Dear respondent,

I am currently a student at the Nairobi University, pursuing a Degree of Masters of Business Administration (MBA). As part of the course requirement am to conduct a research on: An investigation of the competitive strategies adopted by the National Bank in dealing with its competitive environment.

Your have been selected as one of the respondents in this study. This questionnaire is intended to obtain opinions, view, feelings or beliefs to enable me come up with recommendations to assist improve on their practices.

Assistance in sparing a few minutes to fill the provided questionnaire and to provide the required information on the area of study to the best of your knowledge is highly appreciated.

The information you have provided will be treated with the utmost confidentiality and will only be used for the academic purpose mentioned above.

Thank you,

Yours sincerely,

Emma Kwamboka,	Dr. Wahome Gakuru
RESEARCHER	SUPERVISOR.

APPENDIX II: INTERVIEW GUIDE

PART I: General Information

1. What position do you hold in the National Bank of Kenya? Briefly explain your role in the organization...
....
....

2. Were you part of team that was involved in the development and implementation of the National Bank of Kenya strategies? What role did you play?...
....
....

PART II: Extent to which National Bank satisfied conditions necessary for developing and implementation of competitive strategies.

1. The banking industry has become very competitive in the recent years than in the 1990's. In your opinion, what strategies has the National Bank of Kenya adopted to cope with the competitive environment?...
....
....

2. Banks tend to offer similar products and services to customers. This means the customers can easily switch to another bank to get the same service that is been offered by the National Bank of Kenya. Has the National Bank of Kenya differentiated its products?...
....
....

3. The Safaricom product, M-pesa has drawn many customers from the banks. This has generally reduced the number of transactions done in the bank such as sending money electronically. What steps has the National Bank of Kenya undertaken to deal with this new substitute?...
....

4. What challenges does the National Bank of Kenya face while dealing with the rivalry within the Banking industry?..
....
....

5. Customer satisfaction is a very important component in a firm as it determines the level of profitability, market share and customer loyalty. Does the National Bank of Kenya have a system of keeping track of customer's satisfaction?..
....
....

6. Briefly shed some light on the future of the National Bank of Kenya in the next five years to some. What should be expected of the Bank?..
....
....

Thanks for taking your time