

STRATEGIES ADOPTED BY K-REP BANK LIMITED TO GAIN

COMPETITIVE ADVANTAGE

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DECLARATION

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

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

Signature..... Date.....

PROF. EVANS AOSA

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DEDICATION

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ABSTRACT

Organizations whether for profit, private or public have found it necessary in recent years to engage in strategic management in order to achieve their corporate goals. The notion of strategy implementation might seem quite straight forward; a strategy is formulated and then implemented. In the contrary, transforming strategies into action is a far more complex, difficult and challenging undertaking and therefore not straight forward as one would assume. This study determines strategies adopted by K-Rep Bank Ltd to gain competitive advantage as adopted by K-Rep Bank Ltd. Competitive strategy is the basis on which a business unit might achieve competitive advantage in its market. The study utilized a case study of K-Rep Bank Ltd targeting eight top management employees from the various departments from the bank. The study used both the primary and the secondary data whereby the primary data was collected by way structured interview guide and the data collected was analysed using content analysis technique.

Study findings established that the bank had clear strategies to tackle competition in the Kenyan banking industry. Among the notable “strategies mix” the bank has been using include product offering diversification, branch expansion, relationship marketing, financing, cost management, customer-care, innovation, and information technology strategies. The study therefore recommends that the bank should adopt other strategies that it may have not incorporated into its matrix for gaining competitive advantage which will portray a positive public image through incorporation of the CSR. The study recommends that the bank need to employ various strategies in order to remain competitive. The study recommended need for strategies being set in order to focus on special microfinance, grant and training

programmes that target the youth for entrepreneurial development. The Government having though embarked on the youth programme, need to put stringent measures to curb vices like corruption that has infiltrated the programme.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations whether for profit, private or public have found it necessary in recent years to engage in strategic management in order to achieve their corporate goals. The environments in which these organizations operate have become not only increasingly uncertain, but also tightly interconnected. This requires a threefold response from these organizations. They are required to think strategically as never before, need to translate their insights into effective strategies to cope with their changed circumstances and lastly they need to develop rationales necessary to lay the groundwork for adopting and implementing strategies in this ever-changing environment (Bryson, 1995).

Strategies are a critical element in organizational functioning, but whereas most organizations have good strategies, successful strategy implementation remains a major challenge. The notion of strategy implementation might seem quite straight forward; a strategy is formulated and then implemented. In the contrary, transforming strategies into action is a far more complex, difficult and challenging undertaking and therefore not straight forward as one would assume (Aaltonen & Ikavalka, 2001).

Competitive strategy is the basis on which a business unit might achieve competitive advantage in its market. Organizations achieve competitive advantage by providing their customers with what they want or need better or more efficiently than competitors, and in ways which their competitors find difficult to imitate (Johnson and Scholes, 2002). An effective strategy takes offensive or defensive action in order

to create a defensible position against the competition. Porter (1998) argues that to be successful, a company or business unit must achieve one of the generic competitive strategies, otherwise the company will be stuck in the middle of the competitive market place, with no competitive advantage and it is doomed to be below average performance (Wheelen and Hunger, 1995).

This study focused on the various strategies that the K-Rep Bank Ltd has adopted in the bid to remain a competitive micro finance institution in the country in the provision of the banking services. The Kenyan banking industry is populated by 43 banks and a number of small MFIs and this have really made the competition stiff as all of the banks want to command a significant market share and remain relevant in the market thus K-Rep Bank Ltd has not been left behind in trying to adopt strategies that makes them gain competitive advantage.

1.1.1 Concept of Strategy

Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of the markets and to fulfill the stakeholder's expectations (Johnson and Scholes, 2002). Strategy in other words is about where is the business trying to go in the long term, which markets should a business compete in and what kind of activities are involved in such markets, how can the business perform better than the competition in those markets, what resources (skills, assets, finance, relationships technical competence, facilities) are required in order to be able to compete, what external, environmental factors affect the business ability to compete and what are the values and expectations of those who have power in and around the business.

Strategies exist at several levels in any organization ranging from the overall business through to individuals working in it. Corporate strategy is concerned with the overall purpose and scope of the business to meet the stakeholder expectations. This is a crucial level since it is heavily influence by investors in the business and acts to guide strategic decision making throughout the business. Business unit strategy meanwhile is concerned more with how a business competes successfully in a particular market. It concerns strategic decisions about choice of products, meeting needs of customer, gaining advantage over competitors, exploiting or creating new opportunities. Operational Strategy is concerned with how each part of the business is organized to deliver the corporate and business unit level strategic direction and it therefore focuses on issues of resources, processes, and people.

A company's competitive strategy consists of the business approaches and initiatives, it takes to attract customers, withstand competitive pressures and strengthen its market position. The objective quite simply, is to knock the socks off rival companies ethically and honorably, earn a competitive advantage in the market place and cultivate a clientele of loyal customers. A company's strategy for competing typically contains both offensive and defensive actions, with emphasis shifting from one to the other as market conditions warrant. It includes short lived tactical maneuvers designed to deal with immediate conditions as well as actions calculated to have lasting impact on the firm's long term competitive capabilities and market positions (Thompson and Strickland, 1996).

1.1.2 Competitive Advantage

Competitive advantage is essentially a position of superiority on the part of the firm in relation to its competition in any of the multitude of functions/activities performed by

the firm. It means that a firm can gain a competitive advantage in several ways. For example, some firms may be superior in production, some in research and design and some others in marketing. And within a given function, the superiority may be rooted in different aspects of the function. For example, superiority in production may emanate from different aspects; the firm may be a more efficient producer compared to its competitors, or, it may have more flexible production system, or else, it may have the strength of variety. Superiority can also mean that the firm performs a given function differently very distinct from the way other firms perform it. In either case, the firm gains a competitive advantage.

It will be clear from the above explanation that in developing a competitive advantage, a firm basically figures out how it can perform a particular function or group of functions, either, in a superior way, or in a distinctive way, relative to competition. The only other criterion is that the superiority/distinction has to be of value to the customer and should be perceived by him as such. Without this condition being fulfilled, no competitive advantage accrues to the firm, from the superiority/distinction.

Competitive advantage is thus the superior or distinctive competence of the firm relative to competition in some area. The superior or distinctive competence must mean something in terms of customer value. The areas may include practically all functions/activities, which business firms normally carry out, such as marketing, research and design, production, finance, new product launch, brand management etc. The superiority or distinction may also cover the resource and capability dimension and factors like technology.

Sustainable competitive advantage is the focal point of a corporate strategy. It allows the maintenance and improvement of the enterprise's competitive position in the market. It is an advantage that enables business to survive against its competition over a long period of time. Competition is a key feature of the new economy. New customers want it quicker, cheaper, and they want it their way. The fundamental quantitative and qualitative shift in competition requires organizational change on an unprecedented scale. Today, your sustainable competitive advantage should be built upon your corporate capabilities and must constantly be reinvented.

1.1.3 Banking Industry in Kenya

Modern banking has been practiced in Kenya for the last 100 years. Since independence, the commercial banks in Kenya have grown both in numbers, branches and the variety of services they offer like loans, credit and debit card services and the automatic teller machines, electronic banking and the other services. In this period the banking industry, has experienced several upheavals that have lead to several reforms in the industry. These reforms are reflected in the 1994 Banking Act, Central Bank Act 1994, and other CBK regulations. These regulations are likely to reduce the impact of global credit crunch in Kenya.

The banking industry in Kenya comprise of forty three licensed commercial banks and one mortgage finance company. Seven of the major banks are listed in the Nairobi Stock Exchange i.e. Standard Chartered, Barclays, CFC Stanbic, Kenya Commercial Bank, Housing Finance, Equity Bank, National Bank of Kenya (Central Bank of Kenya Report, 2011).

To remain competitive the banking industry in Kenya has experienced a few mergers. Like the recent one of CFC and Stanbic Bank in a bid for survival as they were faced

with an increase in minimum paid up capital and high operational costs due to cut – throat competition from the bigger players (Banking Survey, 2002). Kenya also witnessed the licensing of two Islamic banks Gulf African Bank and First Community Bank.

Competition within the banking sector in Kenya is very stiff this is due to the large number of players in the industry resulting from Central Bank of Kenya, encouraging the non-financial institutions to convert into commercial banks and more companies entering the banking industry and having products like Mpesa the Safaricom mobile money transfer service. This has called for innovation and creativity so as to maintain a competitive edge above the others. Banks have also changed their focus in business from managing customer savings to managing the financial requirements and needs of their customers, while shifting the traditional banking focus to the modern totality of the customer's financial requirements (Banking Survey, 2002).

Commercial banks in Kenya have also made very heavy investment in information communication technology. Modern banks are very dependent on technology. Banks use technology to operate their communication networks, operate Automated Teller Machines and offer e-banking services among others. There is also significant change in the customers' landscape due to the unprecedented interest in individuals, micro finance sector and small enterprises. The banking industry had previously had a bias for corporate clients. K-Rep Bank Ltd's market niche is the small and medium enterprises sector and individual traders in Kenya of which it has crafted a robust structured strategy to maintain and build on its market niche. (www.k-repbank.com).

1.1.4 K-Rep Bank Ltd

The evolution of the K-Rep Bank Ltd traces its roots to that of its parent organization K-Rep Group which was established in 1984 as a project that supported the development of Small and Micro Enterprises through Non Governmental Organisations managed programs. In 1987, the project was incorporated as local NGO. It changed its original strategy of supporting NGOs with grants and technical assistance, to that of advancing loans to the NGOs, in 1989. In the same year it established a micro-credit lending program and established this as the core business and growth area. It also expanded its activities to include research & product development, as well as changing its Technical Assistance (TA) activities to a for-a-fee capacity building service. In 1999 it established K-Rep Bank Ltd and two other entities; K-Rep Development Agency to carry on its research and development work and K-Rep Advisory Services to serve as its consulting wing. (www.k-repbank.com).

K-Rep Bank Ltd is regulated by the Central Bank of Kenya and is regularly inspected using the CAMEL ratings, which look at key capital, assets, management, earnings and liquidity metrics. Over the years K-Rep Bank Ltd ratings, have been favorable and the bank is a member of the deposit protection fund meaning that the customers deposit are protected. The mandate of K-Rep Bank Ltd is pursuant to its Memorandum and Articles of Association and its operating license as granted by the Central Bank of Kenya to transact Banking Business in Kenya, with a focus on offering micro finance products and services. Banking small and medium enterprises, poor households and development oriented enterprises. To meet its mandate K-Rep Bank Ltd since inception has been providing affordable financial services to the

medium and the lower income earners. The products and services are tailor made to suit the needs of their customers (www.k-repbank.com).

The growth of the bank has been rapid due to the vast and enormous number of people requiring financial assistance, especially those that had been labeled 'unbankable' by the big banks. This can be explained by their growth strategic plan which was crafted and started being implemented in 2004. The emphasis of growth of the bank branches to take on microfinance as well as the mainstream banking services saw the bank grow from a mere three branches in 2004 to the current branch network of thirty four. Currently the bank is running on a five year strategic plan which started in 2010 to 2014 with the main theme being to increase the clientele base (www.k-repbank.com).

K-Rep Bank Ltd's vision is to be the financial services organization of choice for the majority of Kenyans and their mission statement is to provide exceptional financial services that create value and enrich the lives of our customers, shareholders, employees and the community. The bank's core values which embody what the bank strives to achieve are hard work and team work, honesty and integrity, solidarity with the poor, creativity and innovation, equal opportunity employer and modesty and fair play (www.k-repbank.com).

The bank has strategically increased its market share over the years by engaging in strategic marketing that has consistently attracted more customers especially from the low income earners in the rural and remote areas. The objective has been to introduce this segment to banking so that they are able to enjoy efficient, reliable and effective banking solutions. The bank has launched an aggressive marketing campaign to capture segments of the society where their financial services and products still have

low awareness and penetrations. The bank also conducts regular product quizzes within the organization to gauge the staff awareness of the financial products and services offered and how this can be used to attract more clients resulting in profit increment (www.k-repbank.com).

K-Rep Bank Ltd major shareholders include the Shore Cap International Corporation, Triodos Bank, International Finance Corporation (IFC), African Development Bank (ADB) and Employees of the bank through the Employee Shares Ownership Plans (ESOPs) (www.k-repbank.com).

1.2 Research Problem

All organizations in every sector have to fit in their industry environment and have to remain competitive and hence these organizations have to come up with strategies that will help them gain a competitive advantage over their competitors so as to survive. Competitive strategies provide a framework for the firms to respond to various changes within the firms operating environment. Firms also develop competitive strategies that enable them to develop strategic initiatives and maintain a competitive edge in the market (Grant, 1998).

With the 43 banking and non-banking financial institutions in Kenya, competition is intense, a number of the large banks have a solid history, firm systems and processes, strong financial backing and a loyal client following. Kenyan savers are still apprehensive when it comes to banks and their practices, thus they prefer to bank with traditional established banks. Moreover, cooperative societies and micro finance institutions have wooed savers with sweet financial deals. They offer financial products comparable with those of the banks yet with fewer restrictions. K-Rep Bank Ltd is a key player in the micro finance business and as stated above, the Kenyan

financial and indeed the general business environment has undergone tremendous change. Consequently, there has been pressure on organizations to remain competitive.

Several scholars have carried out studies in the area of banking on competitive strategy. For instance, Warungu (2001) in his research found out that focus and product differentiation are some of the major strategies that banks have employed in their quest to outdo each other. Similarly Kiptugen (2003) looked at the strategic responses to a changing competitive environment in the case study on Kenya Commercial Bank. She established that proactive rather than reactive strategies such as research on changing customer needs and preferences formed the basis of its strategic planning. Wasike (2010) looked at competitive strategies adopted by Barclays Bank of Kenya in counteracting industry competition and Momanyi (2010) looked at competitive strategies adopted by National Bank of Kenya in dealing with its competitive environment.

These studies have looked at competitive strategies among public and private firms and their response strategies at various levels in an attempt to gain a competitive edge over rivals in both globally and in the country. If strategic research is to continue to offer credible guide-lines on the strategic behavior of firms it seems then it will be imperative to have a more fundamental understanding of a firm's choice of strategy and how firms adopt various strategies to gain a competitive advantage over their market rivals. The gap is therefore is to find the various competitive strategies that K-Rep Bank Ltd has adopted to gain competitive advantage among its competitors in the banking sector. What are the strategies that K-Rep Bank Ltd is using to gain

competitive advantage?

1.3 Research Objective

The objective of the research was to determine strategies adopted by K-Rep Bank Ltd to gain competitive advantage.

1.4 Value of the Study

This study may provide information to the managers in the banking industry especially the small banks for industry analysis, strategic planning, change management and choice of strategic options. The findings in this study shall be useful to a vast majority of managers at all levels in K-Rep Bank Ltd, in assessing their companies' competitive strategies and hence, re-evaluate their companies' position.

This study will also be valuable to the regulators like Central Bank of Kenya which may benefit from the results of this study in considering the pivotal position played by K-Rep Bank in microfinance business. Others who may be interested in this K-Rep Bank Ltd case study include Kenya Bankers Association and the Capital Markets Authority.

The study will contribute knowledge to existing literature which will be a useful reference point to scholar's academicians and researchers. Other stakeholders such as The Ministry of Planning, Ministry of Finance, various businesses and finance journals may benefit from the research findings especially in their understanding of the competitive strategies applied in the banking financial industry in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discussed the literature review on the various scholarly works focused on the competitive strategies adopted by the firms. The purpose of literature review is to explore the existing and available information covered by different researchers on competitive strategies.

2.2 The Concept of Strategy

The word strategy is derived from the Greek word 'strategies' which means a general. At that time, strategy literally meant the art and science of direct military forces. Today, the term strategy is used in business to describe how an organization is going to achieve its objectives and mission. Strategy is concerned with deciding which option is going to be used. Strategy indicates the determination and evaluation of alternative paths, to achieve an organization's objectives and mission, and eventually a choice of the alternatives that are to be adopted (McCarthy, Minichiello and Curran, 1996).

According to Porter (1998), strategy is the pattern or plan that integrates an organizations major goals, policies and action sequences, into a cohesive whole. A well formulated strategy helps to marshal and allocate organizations resources into a unique and viable posture, based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.

Thus, a company's strategy is all about 'how' how management intends to grow the business, how it will build a loyal clientele and out-compete the rivals, how each

functional piece of business (Research and Development, Supply Chain, Production, Sales, Marketing, Distribution, Finance and Human Resources) will be operated, and performance will be boosted. In choosing a strategy, management is in effect saying, “Among all the many different business approaches and ways of competing we could have chosen, we have decided to employ this particular combination of competitive and operating approaches, in moving the company in the intended direction; strengthening its market position and competitiveness, and a boosting performance.” The strategic choice a company makes are seldom easy decisions and some of them may turn out to be wrong, but that is not an excuse for not deciding on a concrete course of action (Thompson, Strickland and Gamble, 2007).

Johnson and Scholes (2002), observe that strategy is the direction and scope of an organization over the long-term, which achieves advantages through its configuration of resources within a changing environment and to fulfill stakeholder expectations. Pearce and Robinson (2000) define strategy as a company’s game plan by strategy managers, denoting their large scale future oriented plans, for interacting with the competitive environment to achieve company objectives.

Porter (1998) proposes that competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine the industry competition. Porter (1998) further states that two central questions underlie the choice of competitive strategy, the first is the alternativeness of industries for long term profitability and the factors that determine it. Not all industries offer equal opportunities for sustained profitability, and the inherent profitability of its industry is one essential ingredient in determining the

profitability of a firm. The second central question in competitive strategy is the determinant of relative competitive position within an industry. In most industries, some firms are much profitable than others, regardless of what the average profitability of the industry may be.

According to Johnson and Scholes (2002), these are the fundamental basis on which a business unit might seek to achieve a lasting advantageous position, by meeting the expectation of buyers, users or other stakeholders. Companies pursue competitive strategies to gain advantage that allows them to outperform rivals, and achieve above average profitability. Developing a competitive strategy is essentially developing a broad formula of how the business is going to compete; what its goals should be and what policies are needed to carry out these goals. Competitive strategy grows out of an understanding of the rules that guide competitions. A business strategy is only powerful if it produces a sizeable and sustainable competitive advantage. The strategy should therefore emphasize an improvement in the competitive position of a firm's product, or service in the industry.

A company's competitive strategy deals exclusively with the specifics of management game plan for competing successfully; its specific efforts to please customers, its offensive and defensive moves to counter the maneuvers of rivals, its responses to whatever market conditions prevail at the moment, its initiatives to strengthen its market position, and its approach to securing a competitive advantage, vis-a vis its rivals. The objective of competitive strategy is to knock the socks off rival companies, by doing a better job of satisfying buyer needs and preferences (Thompson et al, 2007).

2.3 Competitive Advantage

This can be define as an advantage that a firm has over its competitors, allowing it to generate greater sales or margins and/or retain more customers than its competitors. There can be many types of competitive advantages including the firm's cost structure, product offerings, distribution network and customer support. Competitive Advantage gives a company an edge over its rival and ability to generate greater value for the firm and its shareholders. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage. (Porter, 1998).

Porter, (1998) continues to note that competitive advantage of a firm grows out a value which is able to create for its buyers that exceeds the firm's cost of creating it. Value is what the buyers are willing to pay, and superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price. Competitive advantage refers to the situation where a company is able to generate profits above the industry average. Should this ability endure over time, the company is said to have a sustainable competitive advantage.

Porter (1998) states that there are two main competitive advantages, Cost and Differential advantage. While this two fold division comprehends most of the competitive advantage cases a deeper analysis could be made breaking down the factors that enable a company to achieve either a cost or a differential advantage. Cost advantage is a firm's ability to produce a good or service at a lower cost than its competitor, which gives the firm the ability to sell its goods or services at a lower price than its competition or to generate a larger margin on sales. Differential advantage is created when a firm's products or services differ from its competitors and are seen as better than a competitors products by customers.

2.4 Developing Competitive Advantage

There are various ways a firm can develop a competitive advantage over the other firms in the same industry. The following are some scholarly work that defines how firms can gain competitive advantage over other competing firms in the same sector.

2.4.1 Ansoff's Product / Market matrix

Ansoff and McDonnell (1990) The Ansoff Growth Matrix is a tool that helps businesses decide their product and market growth strategy. It suggests that a business's attempts to grow depend on whether it markets new or existing products in new or existing markets. The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy i.e. market penetration, market development, product development and diversification.

Market penetration is the name given to a growth strategy where the business focuses on selling existing products into existing markets. Market penetration seeks to achieve four main objectives; maintain or increase the market share of current products – this can be achieved by a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling, Secure dominance of growth markets, restructure a mature market by driving out competitors; this would require a much more aggressive promotional campaign, supported by a pricing strategy designed to make the market unattractive for competitors and Increase usage by existing customers for example, by introducing loyalty schemes. A market penetration marketing strategy is very much about “business as usual”. The business is focusing on markets and products it knows well. It is likely to have good information on competitors and on customer needs. It is unlikely, therefore, that this strategy will require much investment in new market

research (Ansoff and McDonnell, 1990).

Market development is the name given to a growth strategy where the business seeks to sell its existing products into new markets. There are many possible ways of approaching this strategy, including new geographical markets; for example exporting the product to a new country, new product dimensions or packaging and different pricing policies to attract different customers or create new market segments

Product development is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets. Diversification is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience (Ansoff and McDonnell, 1990)

2.4.2 Grand Strategies

According to Pearce and Robinson (2003) enlightened managers seek to create ways their firms possess both low cost and differentiation competitive advantage as part of their overall generic strategies. They usually combine their capabilities with a comprehensive, general plan of major actions through which their firm intends to achieve its long-term objectives in a dynamic environment called the grand strategy. This statement of means indicates how the objectives are to be achieved. While the need for firms to develop generic strategies remains an unresolved debate, designers of planning systems agree about critical role of grand strategies. Grand strategies, often called master or business strategies providing basic direction for strategic

actions. They are the basis of coordinated and sustained efforts directed toward achieving long-term objectives. Grand strategies indicate the time period over which long range objectives are to be achieved. Thus, a grand strategy can be defined as a general approach that guides a firm's major actions.

The fifteen grand strategies are: concentrated growth, market development, product development, innovation, horizontal integration, vertical integration, concentric diversification, conglomerate diversification, turnaround, divestiture, liquidation, bankruptcy, joint ventures, strategic alliances and consortia. Any of these strategies could serve as the basis for achieving the major long-term objectives of a single firm. But a firm involved with multiple industries, business, product lines or customer groups as many firms usually combine several strategies (Pearce and Robinson, 2003).

Grand strategy is concerned with achieving the vision of the organization. A long term five to fifteen year focus on the external environment is needed to develop a grand strategy effectively. A grand strategy is not formulated, put on the shelf and dusted off every five years. Rather the grand strategy is a firm's integrated approach to achieving a vision while responding to a constantly shifting external environment. The grand strategy is a framework within which independent sub strategies are developed. Sub strategies generally are developed and implemented at the division or business unit level and are likely to be concerned with resources (divestment of assets, sources of funds, capital allocation, asset management) or functions (production, marketing, distribution, research and development). At the division and unit levels of the organization, function and product/marketing sub strategies tend to dominate (Rowe et al, 1994).

2.4.3 Porter's Generic Approach

Porter (1998) has described three general types of strategies that are commonly used by the business. The three generic strategies are defined along two dimensions: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and the composition of the market a firm intends to target. Strategic strength is a supply side dimension and looks at the strength or core competency of a firm. In particular he identified three competencies that he felt were most important: differentiation, focus strategy and cost leadership.

Cost leadership strategy is a low cost competitive strategy that aims at the broad mass market and requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts and cost minimization are like research and development services, sales force, advertising et cetera. Because of its lower costs, the cost leader is able to charge a lower price for its products and services than its competitors and still make a satisfactory profit (Wheelen and Hunger, 1995).

Differentiation strategy is an integrated set of actions taken to produce goods or services (at an acceptable cost) that customers perceive as being different in ways that are important to them. While cost leaders serve an industry's typical customer, differentiators target customers who perceive that value is created for them by the manner in which a firm's products or services differ from those produced and marketed by competitors. Firms must be able to produce differentiated products at competitive costs, to reduce upward pressure on the price customers pay for them. When a product's differentiated features are produced with non-competitive costs, the price for the product can exceed what the firms' targeted customers are willing to pay.

When the firm has a thorough understanding of what its target customer's value, the relative importance they attach to the satisfaction of different needs and what they are willing to pay a premium for, the differentiation strategy can be successfully used. Through the differentiation, the firm produces non-standardized products for customers who value differentiated features more than they value low cost (Hitt et al, 2007).

Focus strategy the firm concentrates on a select few target markets. It is also called a niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to those specialized markets you can better meet the needs of that target market. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency .it is most suitable for relatively small firms but can be used by any company. As a focus strategy it may be used to selected targets that are less vulnerable to substitutes or where competition is weakest to earn above average return on investments (Porter, 1998).

2.4.4 Resourced Based View

It emphasizes the internal capabilities of the organization in formulating strategy to achieve a sustainable competitive advantage in its markets and industries. If an organization is made of resources and capabilities which can be configured and reconfigured to give competitive advantage, then its perspective does indeed become inside out i.e. its internal capabilities determine the strategic choices it makes in competing in its external environment. In some cases an organizations capabilities may actually allow it to create new markets and add value for the consumer. The resource based view of competition draws upon the resources and capabilities that

reside within an organization or that an organization might want to develop in order to achieve a sustainable competitive advantage.

Grant (1991) distinguishes between resources and capabilities. He sees resources as inputs into the production process. This includes capital equipment, the skills of individual employees, patents, brands, finance and so on. On their own these resources are rarely productive. To be productive they require the cooperation and coordination of teams or bundles of resources. A capability is the capacity for a team of resources to perform some task or activity. Therefore resources are the source of an organizations capability. And it is capabilities that are the main source of its competitive advantage

Grant (1991) proposes a framework for strategy formulation comprising of five stages: Identifying and classifying the organization's resources i.e. appraise strength and weakness relative to those of you competitors and identifying opportunities for better resource utilization, identify the organizations capabilities i.e. what it can do better than its rival, Appraise the rent-generating potential of resources and capabilities by their potential for sustainable competitive advantage and the appropriability of their returns, Select a strategy which best exploits the organizations resources and capabilities relative to the opportunities that exist in the environment and Identify whether any resource gaps exist which need to be filled and invest in improving the organizations' resource bases.

There are two fundamental reasons for making the resources and capabilities of the firm foundation for its strategy. First, internal resources and capabilities provide the basic direction for a firm's strategy and second resources and capabilities are the primary resource of profit for the firm

Resources per se do not confer any benefit on an organization; it is the efficient configuration of resources that provides an organization with competencies. Competence is the attribute that firms require in order to be able to compete in the market place. In this respect all firms possess competencies. It is the prerequisite for competing within an industry, core competence being a cluster of attributes that organizations possess which in turn allows it to achieve competitive advantage. It may simply be that an organization has configured its collection of resources in such a way that allows it to compete more successfully.

2.5 Challenges Facing Firms When Implementing Competitive Strategies

Implementation of competitive strategies can lead to certain challenges which may hinder the effectiveness of firms in utilization of strategies identified and employed (Newman and colleagues, 1986) identified three types of competitive challenges those that may hamper a firm's ability to grasp new opportunities, challenges that require massive amounts of resources and the regulatory issues imposed by the government and the ability of company owners and managers. Other challenges may arise from structural and economic barriers inherent in the industry.

Box and Watts (2000) argue that the real challenge in the implementation of a generic strategy is in recognizing all support activities and putting them in place correctly. According to Thompson et al (2007) the most important fits are between strategy and organization capabilities and between strategy and organization culture fitting the organization internal practices to what is needed for strategic success helps unite the organization behind the accomplishment of a strategy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter involves the methods the researcher used to collect and analyze the data for the study. These methods include research design, data collection instruments, data collection procedure and data analysis procedure.

3.2 Research Design

A research design is the general plan of how one goes about answering the research questions. There are several research designs ranging from exploratory studies, descriptive studies, explanatory studies. Within each of these designs are strategies that can be applied such as experiment, survey, and case study. Research design is simply the framework or plan for a study, used as a guide in collecting and analyzing data. It is the blue-print in completing a study. This study was conducted through a case study of K-Rep Bank Ltd.

Case studies are more relevant for qualitative research and are quite suitable for exploratory and descriptive purposes. It involves collecting data from one or a few research units only. Case study data may be collected through observation or communicating with respondents. Communication may be through interviews, personal interviews or mail interviews. This was considered the most suitable method since only one study unit i.e. K-Rep Bank Ltd will be used. The importance of a case study method is emphasised by Kothari (2004) and Young (1960) both of whom acknowledged that case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. Case study enabled the researcher identify the strategies adopted by

K-Rep Bank Limited to gain competitive advantage.

3.3 Data collection

There are two methods of data collection i.e. the primary data collection which information is gathered directly from an original source e.g. survey, observation, interviewing and questionnaire. Secondary data collection is information being taken from published and unpublished data such as the books, magazines printed articles and reputable sites on the internet.

The study used both the primary and secondary data. Primary data that was collected by way structured interview i.e. interview guide (see Appendix) which was used and will consisted of general and open ended questions based on the study's objective. The primary data was supplemented with secondary data through published sources such as newspapers, websites review of Central Bank of Kenya reports and annual financial statement. The interview questions focused on respondents experience in coming up with strategies that makes K-Rep Bank Ltd gain competitive advantage in the banking industry. The respondents will be the Chief Executive, seven senior managers at K-Rep Bank Ltd making a total of eight respondents.

3.4 Data Analysis

Data can be analyzed both qualitatively and quantitatively. Qualitative analysis is the summary and explanation of the respondent's views about a problem and the views compared to come up with explanations about the problem under study. Quantitative analysis includes frequency distribution tables, percentages, pie-charts which was used to present the information.

The data analysis that was used was content analysis. After data was obtained through an interview was analyzed for accuracy and completeness. Objectives of data analysis consist of getting a feel of the data, testing the correctness of data, and testing the hypothesis developed for the research. The analysis of qualitative data was undertaken as an activity simultaneous with data collection. The challenge of qualitative data analysis is to make sense of massive amounts of data, reduce the volume of information, identify significant patterns and construct a framework for communicating the existence of what the data reveals.

Based on this realization, information obtained through qualitative methods was analyzed using the following three steps. In the first step, the data was organized following key thematic areas. In the process, the data was summarized into daily briefs after each interviewing session. The second step involved description of the responses to produce interim reports, areas that required additional information was identified and the requisite data sourced. The third step involved systematic analysis and interpretation of the interim report.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data that was found and analyzed while investigating the strategies K-Rep Bank Ltd has adopted to gain competitive advantage and the results. The purpose of the research was to determine strategies adopted by K-Rep Bank Ltd to gain competitive advantage. The data was gathered exclusively from interview guide as the research instrument. An interview guide was designed in line with the objectives of the study. The data was presented in qualitative research form followed by discussions of the data results. The chapter concludes with critical analysis of the findings.

4.2 Number of Respondents

From the respondents that were targeted to be interviewed, the senior managers from the various departments in the bank were interviewed. The departments were Finance, Audit and Enterprise Risk Management, Credit and Legal, Human Resource, Operations, Information technology and Business Development. Interview was carried out by booking appointment with the respondents.

4.3 General Information

This section generally covered the general information on the bank in the study. The specific information covered included the bank's ownership; number of employees, branch demography's and staff diversity as well as the bank's diversity of the board of directors.

4.3.1 Ownership

This section was aimed at determining the bank ownership structure. The researcher

found that that the bank has nine shareholders as at the close of December 31, 2011.

The Table 4.1 indicates how the shares were distributed.

Table 4.1: Ownership Structure

Shareholder Name	Shareholding %
K-Rep Group	19.74
International Finance Corporation	15.18
African Development Bank	21.98
Triodos Bank	14.48
Kwa (Employee Share Ownership Scheme)	6.14
Shore cap International	10.86
Netherlands Development Finance Company(FMO)	6.59
ICDC- Centum Investments	1.66
Local Investors	3.36
Total	100%

Source: K-Rep Bank Ltd Financial Statements, 2011

4.3.2 Size of the Payroll

This section was aimed at establishing the size of the Banks payroll. The researcher found that the bank, according to the information extracted from its financial statements, had 474 employees as at December 2011. One at the executive office, seven senior managers, two hundred and fifty eight professionals and two hundred and eight Non management staff. Its payroll had dropped from Kshs 637 Million in 2008 to Kshs 509 Million in 2011.

Table 4.2: Payroll Costs 2008 to 2011

Year	2008	2009	2010	2011
Staff Costs in “000”	636,676	656,775	483,898	508,256

Source: Audited financial statement 2008-2011

4.3.3 Diversity of the Board of Directors

This section was aimed at determining how many nationalities sit in the Banks board.

The researcher found that the bank had nine Directors with the following composition of nationalities.

Table 4.3: Composition of the Board of Directors by Nationality

Nationality	Number of Directors	Percentage
Kenyan	7	70
British	1	10
American	1	10
Dutch	1	10
Total	10	100

Source: K-Rep Bank Ltd Financial Statements, 2011

4.4 Strategies Adopted by K-rep Bank Ltd to gain competitive advantage

It was established from the respondents that there were several strategies that the bank had adopted so as to gain competitive advantage in the banking sector and this include the following.

4.4.1. Marketing Strategies

This section was aimed at determining what the bank's marketing strategies were. To determine this researcher analyzed the bank's marketing department structure, target market, correspondent network, product mix, and product development. The Bank's target market includes individuals, micro, small and medium enterprises which is largely considered as un-banked. The Bank's planned expansion targets this unexploited market. It is expected that providing financial services to this target market will result in continued growth in terms of business volumes and profitability.

The Bank aims at servicing individuals with low income, small and medium enterprises (SME'S). According to the head of Marketing the bank has broaden its market to also include corporate and institution banking which mainly serves corporations i.e. companies owned by the government and institutions such as schools, colleges and hospitals. Retail banking and this mainly targets large business such as partnership and sole proprietors.

The range of products being offered by K-Rep Bank Ltd are overdrafts asset financing, business loans, payroll processing and distribution, invoice discounting Import and Export letter of credit facilities, personal secured loan, money orders, money transfers, remittance processing, treasury bills, bank guarantees, deposits products such as personal accounts, current accounts, fixed deposit accounts, safe deposit lockers, motor vehicle loans and home loans. Services being offered are like Ken-Switch ATMS, Pesa point, m-pesa, money gram and western union.

The researcher found from the company website that the bank had a fully-fledged

marketing department headed by the Head of marketing. The bank structure also has other senior managers playing a crucial role in marketing like the head of Operation, head of finance, head of business development head of audit and Enterprise Risk Management, Head of Credits and legal and Head of Information and Technology. Marketing department is staffed by relationships and business development managers (www.k-repbank.com).

Marketing strategies being used by K-Rep Bank Ltd are aimed at creating new Marketing niches as well as confronting the existing market. “Through research and product innovation, K-Rep Bank Ltd has developed products and services that identify the needs cycle and financial resources of this market segment thus carving out a niche market. Among the innovative products introduced by K-Rep Bank Ltd include: Through its social approach to banking, K-Rep Bank Ltd has rolled out unique products and services to support women in Kenya through affordable financial products. Equity has been partnering with various development partners in the private and public sector to support the projects one of the product dubbed ‘MALKIA’- Growth Oriented Women Entrepreneurs. This is a product convenient for women entrepreneurs who need to access flexible loans to enhance their business.

K-Rep Bank Ltd has also has “Private school financing” product whereby it provides private schools with financial services to under take any of the following ,working capital, running overheads, building of class rooms, roofing, expansion, equipping of laboratories and buying school fees.“Maji ni Maisha” is also another product K-Rep Bank Ltd in partnership with the world bank finances small water infrastructures in the country .it provides upfront construction finance to qualified applicants following

its due diligence and other products like Medical Credit Fund, Water Storage Facility, ADF (Daraja) Loan, UN-Habitat (Waste Disposal), Sunny Money and Youth Fund tend to support various small and medium enterprises in the country.

The bank has also invested a lot of money in rebranding in its marketing campaign this has been being aired in the prime time by several media houses. The “closer to you” advertising campaign” aims at identifying the bank’s new niche in the market i.e. with different gender, professions, age groups, regions and ethnic groups. The researcher has also noted the campaign was gearing towards giving room to their consumers to voice their ideas and translating the ideas into successful business ventures and the rebranding also was geared towards changing the banks identity and a sign of assurance to continued commitment and a promise to get closer to the customers.

The researcher noted that some of the factors that led to the market strategies being successful were: Modern banking facilities including evening banking, 24 hours ATM network, internet banking, e-statements, sms banking. The Bank has also committed significant resources to boost service delivery to customers, multiple channels of distribution such as ATM network has been expanded to successfully reach customers. Provision of quality and customer friendly services has geared towards mobilizing many individuals to open accounts with the bank. This quality service has also ensured consistent growth in customer deposits that have in turn provided a strong reservoir for steady growth in customer borrowings every year.

The bank offering of service built on personalized and specialized banking solutions. Which aims at offering the best quality and according to the head of marketing the bank has reported huge turnover through quality services offered. Employing of modern technology that will greatly benefit their customers in efficient delivery of financial services. The banking technology includes T24 Temenos system, real time software, on line banking solutions enabling branchless operations. Swift connectivity a connectivity to the worldwide community of financial institutions that Is the leader in communication solutions that enable inter operation ability between its members, their market infrastructure and the end user community.

4.4.2 Growth and Expansion Strategies

This section focused on the growth and expansion strategies applied by K-Rep Bank Ltd to gain competitive advantage in the Kenyan Banking industry. To analyze this researcher reviewed the branch structure, proposed expansion and the benefits accruing from the growth and expansion. This section was aimed at determining the bank branch structure and branch network. The findings are presented in table below.

Table 4.4: Impact of Branch and ATMs Network on Profitability

Bank	Branches	ATMS	Profit Before Tax "000"	Profit Before Tax Per Branch "000"
Development Bank Ltd	2	2	44,556	22,278
K-Rep Bank Ltd	36	35	185,150	5,290
First Community Bank Ltd	18	3	98,370	32,790
Consolidated Bank Ltd	18	16	146,647	9,165

Source: Un-audited results Half Year 2012 published in the Daily Nation

The researcher found from the head of operations that the branch network covers nearly every province in Kenya. According to the head of operations it is supplementing its branch network with alternative channels like: Ken-Switch branded ATM's in Kenya, Points of Sale (POS) where customers shop, pay and withdraw cash in leading retail outlets, Internet and mobile banking channels and M-Pesa.

The researcher also through a visit to some of the Nairobi branches observed that the bank had also established strategic alliances to enable them compete such as K-Rep Bank Ltd partnering with Western Union and Money gram to offer money transfer services especially to the Kenyan Diaspora, Use of various Stock brokers and investment banks to buy and sell securities on behalf of its customers, plus the bank has partnered with various supermarkets like Tuskys and Uchumi to offer “cash back” services to its customers.

4.4.3 Financing Strategies

This section was aimed at determining the financial strategies the bank is using to compete. The researcher analyzed the bank's balance sheet and management of new investment partner.

Table 4.5: Growth in Core Capital (Half Yearly Trend)

Bank	30.06.2011	31.12.2011	31.03.2012	30.06.2012
Consolidated Bank Ltd	956,353	1,027,287	1,042,848	1,084,264
First Community Bank	701,014	766,576	794,362	815,761
Development Bank Ltd	1,338,538	1,425,629	1,423,764	1,370,793
K-Rep Bank Ltd	1,148,340	1,275,190	1,311,678	1,339,992

Source: Un-audited results Half Year 2012 published in the Daily Nation.

The researcher found that financing strategies like having Triodos Bank Ltd as an investor has enabled the bank grow its core capital faster than other banks in the industry as demonstrated by the table below.

Table 4.6: Percentage Growth in Core Capital of Various Banks

Bank	30.06.2011	30.03.2012	Increase	% Growth
Consolidated Bank Ltd	956,353	1,084,264	127,911	13.37
First Community Bank	701,014	815,761	114,747	16.37
Development Bank Ltd	1,338,538	1,370,793	32,255	2.41
K-Rep Bank Ltd	1,148,340	1,339,992	191,652	16.69

Source: Un-audited results Half Year 2012 published in the Daily Nation,

The researcher also wanted to find out if positioning of the bank as a micro-finance institution helped attract low priced funds or capital from organizations like Shorecap International and Triodos Bank and how the bank has managed to attract key shareholders like African Development Bank and International Finance Corporation without losing control.

The researcher found out that yes it positioning as a micro finance institution according to 2011 financial statements the bank had borrowed loans amounting to Kshs 1,224,671 million at an effective interest rate ranging from 6% to 11%.it biggest lender being Triodos Bank which is a Dutch owned organization that supports microfinance based development (www.k-repbank.com).K-Rep Bank Ltd board has managed to limit the powers of African Development Bank by signing an agreement (Memorandum of Understanding) that put a cap on their shareholding at 21.98% and

limiting their seats in the board to their proportional ownership (www.k-repbank.com).

4.4.4 Information and Communication Technology Strategies

This section was aimed at determining the strength of the bank's ICT. The researcher noted that, “In 2011, K-Rep Bank Ltd invested over Kshs. 26 million on Information Technology infrastructure with Temenous, the world’s leading core banking solution, which will support the Bank’s expansion strategy. The Information Technology infrastructure includes a new generation core banking system, state of the art data centre and an enhanced Automated Teller Machines network (www.k-repbank.com).

K-Rep Bank Ltd is using strategies such as reach Money gram and western union software, Provision of e-banking services to support the Kenyan Diaspora. The banks initiative to “migrate” its customers to mobile banking is reflected by its launch of “HELA Mobile banking. The efforts by the bank to “migrate” its customers to e-banking are reflected by its provision of e-banking software to its customers in Kenya.

The researcher also noted employees to be effective, they needed to be supported by an excellent and adequate information system. The bank has invested in a system that integrates most of their operations thus helps in making sure that all the decisions are based on informed decisions as information is readily available. The Information and Communication Technology has enabled the bank to develop innovative products with competitive advantage liked cash-back services and efficiently handle its customers.

4.4.5 Customer Care and Operations Strategies

This section was aimed at determining the customer care and satisfaction strategies the bank is using. The researcher found that improvements undertaken by the bank to manage customer visits and to “decongest” its branches included. Investment in information technology infrastructure, Opening of new branches, Establishment of branchless banking model that allows its customers to use any of its 36 branches depending on convenience, Introduction of an expansive ATM network partnering with Ken switch and Pesa point, Introduction of E-banking and Introduction of mobile banking.

The bank has endeavored to create a culture to reinforce this strategy. It has adapted an open door marketing strategy where the Chief Executive Officer and the Head of Marketing are very easily accessible to its customers. It has also created a fulfilling working environment by developing an organizational architect that empowers its staff even at the branch level. This not only generates job satisfaction but also generates customer satisfaction due to swift decision making, thus realizing that long term growth and survival of the firm is depend on a good relationship with the customers.

4.4.6 Human Resource Strategies

This section was aimed at determining the strength of the bank's human capital. What strategies have you put in place to build a competent and motivated workforce? The researcher noted that the bank has been training its staff in various management courses at leading business schools like Kenya Institute of Management, Kenya School of Monetary Studies and other external professionals coming in the

organization to train the staff in house. In the 2011 financial report the Chief Executive noted that, the bank will be completing the first phase of its leadership development program in June 2012, where all staff in management positions was to be trained.

The researched also found out what changes the bank has made on the organizational structure to improve their competitiveness. The researcher noted that the bank had expanded the management board by creating positions geared to competitive strategies like Director for Credit risk Director of Operations and Information technology, Director of Business Development and Corporate Change, and Director for Marketing and Director of Audit (www.k-repbank.com).

The researcher also noted although the bank is faced with high labor turnover, the bank has paid attention to labor turnover in the sector by developing plans to attract, motivate and retain the workforce by providing higher job satisfaction than other banks through opportunities for career growth and it having Employee Share Ownership Scheme which has helped motivate and retain its staff and also gain competitive advantage through deliberate strategy of creating a young energetic, well trained and motivated work force.

4.4.7 Other Findings

This section was aimed at gathering any information that would offer more insight on the bank's strategy. In his presentation of 2011 financial results the Chief Executive presented the bank Strategy as leveraging on huge capital base to enhance present and future earnings growth, Investment in superior technology to allow convergence of banking & telecommunications (MPESA), enhance efficiency such as the way 4 switch and enhance security of the system so as to reduce frauds. The CEO noted that

the bank was gearing toward National growth to enhance future growth and earnings prospects such as opening of Mlolongo branch and Kitengela branch

Other strategies that the bank was maximizing on is diversification of funding strategy, capital, debt and customer deposits. Allow greater product diversification and stability. Optimizing interest earning assets and enhancement of asset quality with emphasis on quality of loan portfolio – improvement in PAR, enhancement of NPL coverage and diversification of loan book to mitigate risk. Roll out of an SME strategy; align business with evolving customer needs. Retention strategy for graduating customers becoming acquisition strategy for SME clients. Rebranding its slogan to “getting closer to you” so as to create awareness as well as reflect the essence of the rebranding initiative and the vision of the bank of being able to be the financial services provider of choice

4.5 Discussion of Findings

The section discusses the findings of the study by relating the objectives of the study with existing literature. The findings of the study concur with what various studies have identified as strategies adopted by various firms to gain competitive advantage.

4.5.1 Comparison With The Theory

The objective of this study was to determine the strategies adopted by K-Rep Bank Ltd to gain competitive advantage. Currently K-Rep Bank maintains a strategy similar to other Kenyan banks although it has been more aggressive in some aspects. K-Rep Bank Ltd from the study has adopted the Porter’s Generic approach, differentiation, focus and cost leadership strategies (Porter, 1998). The study reveals that the bank has clear strategies to tackle the competition in the Kenyan industry. Thus the bank is

aiming in cutting cost in staff costs and cost of operation by having the bank supplementing its branch network with alternative channels like: Ken-switch branded ATM's in Kenya, Points of Sale (POS) where customers shop, pay and withdraw cash in leading retail outlets, Internet and mobile banking channels and M-Pesa. The researcher noted that, "In 2011, K-Rep Bank Ltd invested over Kshs. 26 million on Information Technology infrastructure with Temenos, the world's leading core banking solution, which will support the Bank's expansion strategy. The researcher noted that the bank has been training its staff in various management courses at leading business schools like Kenya Institute of Management, Kenya School of Monetary Studies and other external professionals coming in the organization to train the staff in house.

In addition the bank has furthermore adopted the Ansoff's Product /Market Matrix in deciding their product and market growth strategy (Ansoff and McDonnell, 1990). From the study the bank has adopted growth strategies that set the direction for the business strategy such as market penetration, market development, Product development and diversification. The bank's target market includes individuals, micro, small and medium enterprises which is largely considered as un-banked. The Bank's planned expansion targets this unexploited market. It is expected that providing financial services to this target market will result in continued growth in terms of business volumes and profitability. The range of products being offered by K-Rep Bank Ltd are overdrafts asset financing, business loans, payroll processing and distribution, invoice discounting Import and Export letter of credit facilities, personal secured loan, money orders, money transfers, remittance processing, treasury bills, bank guarantees, deposits products such as personal accounts, current accounts, fixed

deposit accounts, safe deposit lockers, motor vehicle loans and home loans.

The bank had a fully-fledged marketing department headed by the Head of marketing. The bank structure also has other senior managers playing a crucial role in marketing like the head of Operation, head of finance, head of business development head of audit and Enterprise Risk Management, Head of Credits and legal and Head of Information and Technology. Marketing department is staffed by relationships and business development managers. Marketing strategies being used by K-Rep Bank Ltd are aimed at creating new. Marketing niches as well as confronting the existing market. “Through research and product innovation, K-Rep Bank Ltd has developed products and services that identify the needs cycle and financial resources of this market segment thus carving out a niche market. Among the innovative products introduced by K-Rep Bank Ltd include: Through its social approach to banking, K-Rep Bank Ltd has rolled out unique products and services to support women in Kenya through affordable financial products.

The bank had invested a lot of money in rebranding in its marketing campaign this has been being aired in the prime time by several media houses. The “closer to you” advertising campaign” aims at identifying the bank’s new niche in the market i.e. with different gender, professions, age groups, regions and ethnic groups and this was in line with the theory by Pearce and Robinson (2003) who cited that enlightened managers seek to create ways their firms possess both low cost and differentiation competitive advantage as part of their overall generic strategies. The researcher has also noted the campaign was gearing towards giving room to their consumers to voice their ideas and translating the ideas into successful business ventures and the

rebranding also was geared towards changing the banks identity and a sign of assurance to continued commitment and a promise to get closer to the customers.

Financing strategies like having Triodos Bank Ltd as an investor has enabled the bank grow as another strategy that was utilized by the bank. K-Rep Bank Ltd is using strategies such as reach Money gram and western union software, Provision of e-banking services to support the Kenyan Diaspora. The banks initiative to “migrate” its customers to mobile banking is reflected by its launch of “HELA Mobile banking. (www.k-repbank.com).

4.5.2 Comparison With Other Empirical Studies

The objective of this study was to determine the strategies adopted by K-Rep Bank Ltd to gain competitive advantage. Currently K-Rep Bank maintains a strategy similar to other Kenyan banks although it has been more aggressive in some aspects and the study has established that K-Rep Bank Ltd has a well defined strategies being used to compete in the banking industry. Kenyan banks have been forced to develop strategies to help them adapt to the local and global business environment. These findings were similar and constituent with other previous studies.

In the study of strategies adopted by commercial banks in Kenya to gain competitive strategies Wasike (2010), Momanyi (2010) all similarly found out that banks have to adopt strategies that can enable them survive in the business environment and deal with the competitive environment as well .the studies have revealed that banks have to have clear strategies to tackle competition in the banking industry thus encouraging the essence of competitive strategies in helping organizations to grow and to create

sustainable competitive advantage. This study also supports findings of Warungu (2001) who concluded out that focus and product differentiation are some of the major strategies that banks have employed in their quest to outdo each other. The study also supports the theory by Grant, (1998) that firms also develop competitive strategies that enable them to develop strategic initiatives and maintain a competitive edge in the market

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMEDATION

5.1 Introduction

This chapter presents conclusion and recommendations of the study in line with the purpose of the study aimed at investigating strategies adopted by K-Rep Bank Ltd to gain competitive advantage.

5.2 Summary of the findings

The range of products being offered by K-Rep Bank Ltd are overdrafts asset financing, business loans, payroll processing and distribution, invoice discounting Import and Export letter of credit facilities, personal secured loan, money orders, money transfers, remittance processing, treasury bills, bank guarantees, deposits products such as personal accounts, current accounts, fixed deposit accounts, safe deposit lockers, motor vehicle loans and home loans.

Marketing strategies being used by K-Rep Bank Ltd are aimed at creating new. Marketing niches as well as confronting the existing market. “Through research and product innovation, K-Rep Bank Ltd has developed products and services that identify the needs cycle and financial resources of this market segment thus carving out a niche market. Among the innovative products introduced by K-Rep Bank Ltd include: Through its social approach to banking, K-Rep Bank Ltd has rolled out unique products and services to support women in Kenya through affordable financial products.

The bank has also invested a lot of money in rebranding in its marketing campaign this has been being aired in the prime time by several media houses. The “closer to

you” advertising campaign” aims at identifying the bank’s new niche in the market i.e. with different gender, professions, age groups, regions and ethnic groups.

The researcher noted that some of the factors that led to the market strategies being successful were: Modern banking facilities including evening banking, 24 hours ATM network, internet banking, e-statements, SMS banking. The Bank has also committed significant resources to boost service delivery to customers, multiple channels of distribution such as ATM network has been expanded to successfully reach customers

The study established that from the head of operations it is supplementing its branch network with alternative channels like: Ken-switch branded ATM’s in Kenya, Points of Sale (POS) where customers shop and pay and withdraw cash in leading retail outlets, Internet and mobile banking channels and M-Pesa

5.3 Conclusion

The findings of this study prove the fact that K-Rep Bank Ltd has a well-defined strategies being used to compete in the banking industry. The study shows that the strategies being adopted by K-Rep Bank Ltd has helped it to outperform its peers. The management of K-Rep Bank Ltd has expressed satisfaction with the strategy as it has helped them to grow well so far. Kenyan banks have been forced to develop strategies to help them adapt to the local and global business environment. The objective of this study was to determine which strategies were being adopted by K-Rep Bank Ltd to gain competitive advantage in the Kenyan banking industry. Currently K-Rep Bank Ltd maintains a strategy similar to the other Kenyan banks although it has been more aggressive in some aspects. The generic strategies have been distribution network expansion, diversification, development of internal resources and infrastructure, and cost management.

The study revealed that the bank had clear strategies to tackle competition in the Kenyan banking industry. This is very encouraging since the essence of competitive strategies is to help organizations to grow and to create sustainable competitive advantages. Among the notable “strategies mix” the bank has been using include product offering diversification, branch expansion, relationship marketing, financing, cost management, customer-care, innovation, and information technology strategies. Due to the successful execution of these strategies the bank has recorded a strong growth in profitability and assets.

The bank has gained varied competitive advantage by application of the various strategic alternatives mentioned above or their mix. Among the dominant strategies observed are financial management, expansion and development of niche markets and development of business infrastructure. In terms of financial performance K-Rep Bank Ltd, the bank has grown its assets closely to the industrial average. Its profitability has been among the best among the banks in its league

The bank hasn't been distributing most of its profits to shareholders but has been aggressively “ploughing” back and aggressively investing the same in developing the business infrastructure. The bank has made heavy investments in branding, information systems and staff development. Branding ensures customer loyalty, a reliable workforce enables the bank to develop a reliable and sustained customer satisfaction, and improved information system enables the workforce to be more efficient. Information revolution in the internet and mobile has become a key drive of competition in the bank industry by eliminating some entry barriers and allowing

development new products

5.4 Implication of the Study

The study therefore recommends that the bank should adopt other strategies that it may have not incorporated into its matrix for gaining competitive advantage which will portray a positive public image through incorporation of the CSR. The study recommends that the bank need to employ various strategies in order to remain competitive. Market entry strategies may include acquisitions, strategic alliance and joint ventures. Firms may also react to competitive forces by developing new products. This may be aimed at reducing risks through diversification as a means of responding towards competitive forces could be related or unrelated.

From the foregoing findings and conclusion, the study also recommends that there is a need for the management of K-Rep Bank Ltd to intensify awareness to all staff of the strategy being set through regular meetings and training for all the employees so that they also aware of the strategic plan. This will enhance knowledge gain on the various strategies that the management are intending to adopted to gain competitive advantage. The bank should also enhance allocation of sufficient human and financial resources to enable achievement of the set strategic targets. This will certainly enhance development of staff commitment aimed at improved productivity and attainment of the strategies that being adopted.

The bank's target is the low income earners it should endeavor in training this particular customers in that this target group could benefit from complementary skills training programmes. The existing skills training and funding arrangements for women do not seem to be market driven. Thus specific services and products that

target women for entrepreneurship development to enable them engage in economic activities and become more self-reliant need to be more coherent. Young people aged 15-24 years account for about a third of the population of Kenya and constitute over half of the unemployed population. There is a need for strategies being set in order to focus on special microfinance, grant and training programmes that target the youth for entrepreneurial development. The Government having though embarked on the youth programme, need to put stringent measures to curb vices like corruption that has infiltrated the programme.

5.5 Limitations of the study

The study focused only on the various strategies which have been implemented by the K-Rep Bank Ltd. The response rate was expected to be 100 % but the CEO of the bank was unavailable for the interview and thus reduced the quality of the information obtained. Some of the bank's senior management resorted to use secondary data whose authenticity may be questioned, as it may be have been reported out of context. As secondary data is mainly press communications the interviews may not have given honest answers to the application of the bank's strategy to protect it and not to be seen as owners of a failed system.

The quoted interviewees weren't required to explain the reason for the responses or statements and therefore to arrive at the conclusions made in the study reference had to be made to the background events and the literature reviewed. The strategies that had been used by the bank were so diverse that the research had to limit the scope due to limitations of resources.

The researcher encountered the problem of some of the bank's senior management

and head of departments' unwillingness to be interviewed. Some were out rightly reluctant as they felt that their strategies were confidential information. While others cancelled the interview sessions and advising us to refer to the media and their website.

5.6 Suggestions for further research

The current research concentrated strategies adopted by K-Rep Bank Ltd to gain competitive advantage. The study involved knowing the strategies that K-Rep Bank Ltd specifically is using to gain competitive advantage therefore more research is needed to establish the opinion of the managing director and some of the heads that were not interviewed towards the bank competition strategies. There seems also to be some setbacks with the expansion strategy based on its impact on the profitability; a study needs to be taken to find out why this is the case to help refine the strategy.

The study of competition strategy management in the Kenyan bank industry is another area of future research. The study of the impact of the growth of micro businesses to Small and Medium Enterprises (SME's) on the bank competition strategy is another area of future research. There is a need to undertake a research identified by the researcher have been engraved into the banks corporate culture to ensure sustainability of the competitive strategy.

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APPENDICES

Appendix - Interview Guide.

This interview guide is to be presented to the managing director or his appointed officer at K-Rep Bank Ltd. All data collected will be aggregated and be kept in a strictly confidence. No individual respondent or organization will be identifiable from any published results. Please complete the form by placing a tick '()' in the appropriate box, and by inserting your views where requested. Please return the completed interview guide to the interviewee.

Section A: Background Information

1. How many people has your bank employed?
2. How many Directors does your Board have?

Section B: Marketing Strategies

3. Who among the following is your target market?
 - SME's
 - Corporations
 - Companies
 - Individuals
4. Do you have a market research or business development unit in your organization?
5. How many new products did you introduce in the last 5 years?
 - (a) Year 2007
 - (b) Year 2008
 - (c) Year 2009
 - (d) Year 2010

(e) Year 2011

6. What range of products do you offer?

- Bank overdraft
- Consumer lending
- Mortgage
- Money order
- Swift processing.

7. Has introduction of new products helped you to beat competition?

8. What percentage of your profits is spent on marketing promotion and advertisement?

9. Which of the following distribution channels do you prefer?

- ATM's
- Internet banking
- E-banking
- Mobile banking
- Branch banking

10. What percentage of revenue came from new products last year?

Section C: Growth and Expansion Strategies

11. How many branches do you have?

12. How many branches are now profitable?

13. Has the expansive branch network been useful in your competition strategy?

.....

14. Please name a few advantages of having such a network?

a)

- b)
- c)
- d)

15. Do you have any branch outside Kenya?

16. Do you see any expansion outside Kenya?

17. Where do you foresee a higher growth inside Kenya?

Section D: Financing Strategies

18. Which financial strategies has your bank used to compete in the bank industry?
.....

19. How has your financial strength assisted you to compete in the bank industry?
.....

20. Has the positioning of your bank as a micro-finance institution helped attract low priced funds or capital from organizations like Triodos?

Yes ____ No ____ (Tick as appropriate)?

Section E: information and Communication Strategies

21. How does your ICT system support such a wide clientele without hanging or collapsing?

22. How have you used your ICT system to build a competitive advantage?

Section F: Customer Care and Operations Strategies

23. What competitive strategies have you adapted to enable you offer financial services to your expansive clientele?.....

24. What strategy have you adopted to minimize the negative publicity on your bank?

.....
25. How do you gather feedback from your customer's?

.....
Section G: Human Resource Strategies

26. What strategies have you put in place to build a competent and motivated workforce?

.....
27. What changes have you made on your organizational structure to improve your competitiveness?

Section H: Other Strategies

28. Which of the following best describes the future of competitive strategies in the Kenyan banking industry?

Please tick as appropriate. (Key: SD = Strongly Disagree; D = Disagree; A = Agree; SA = Strongly Agree; DK = Don't Know/Neutral)

- | | | | | | |
|---|------|-----|-----|------|------|
| A. Expansion in number of outlets/production. | (SD) | (D) | (A) | (SA) | (DK) |
| B. New product development. | (SD) | (D) | (A) | (SA) | (DK) |
| C. Increase marketing effort. | (SD) | (D) | (A) | (SA) | (DK) |
| D. Big sales/price cut. | (SD) | (D) | (A) | (SA) | (DK) |
| E. Lay off employees. | (SD) | (D) | (A) | (SA) | (DK) |
| F. Better cost control/cut costs. | (SD) | (D) | (A) | (SA) | (DK) |
| G. Raise Prices. | (SD) | (D) | (A) | (SA) | (DK) |
| H. Improve product quality. | (SD) | (D) | (A) | (SA) | (DK) |
| I. Merger and acquisition. | (SD) | (D) | (A) | (SA) | (DK) |

- J. Out-sourcing of work. (SD) (D) (A) (SA) (DK)
- K. Reduce product range/item. (SD) (D) (A) (SA) (DK)
- L. Increase marketing effort. (SD) (D) (A) (SA) (DK)