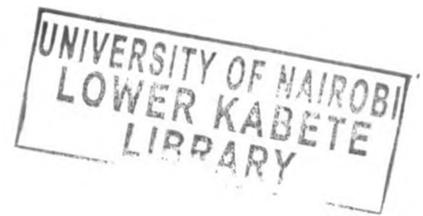


**EMPLOYEE PERCEPTION OF THE RELATIONSHIP BETWEEN
COMPETITIVE STRATEGIES AND PERFORMANCE IN BARCLAYS
BANK OF KENYA LIMITED**

**BY
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D61/75626/2009**

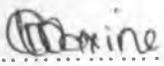


**A Research Project Submitted in Partial Fulfilment of the requirements for
the Award of Degree of Master of Business Administration, School of
Business University of Nairobi**

November 2012

DECLARATION

This management research project is my original work and has not been presented in any other University or college for the award of degree or diploma or certificate

Signed..........

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

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First of all my sincere gratitude to my supervisor, Prof. Ogotu for his guidance, direction and patience. His counsel throughout regardless of our distance led to the successful completion of this project.

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My greatest gratitude to the almighty GOD for bringing me this far, honour and glory to him alone.

DEDICATION

This project is dedicated to my daughter, Natasha for her encouragement, love and patience with me as I came home late from school until I completed my studies.

I also dedicate it to my mum Margaret for her prayers, financial support and constant reminder of the virtues of hard work and to my dad Samuel for his ceaseless prayers.

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ABSTRACT

The main aim of any modern business is to develop a competitive edge over its competitors. This is done with the intention that such an edge would enable it not only to outperform its competitors but as well sustain its profit making ability. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors (Kay, 1994). Banking industry is one of the forms of business enterprises in which cut throat competition thrives (Kinusi, 2010). Competition in the Kenyan banking industry has risen to the point where even international banks like Barclays among others have been forced to change their strategies in order to maintain and enlarge their market shares (Abishuan, 2010). Barclays in the recent past has always made the highest profits. This however is slowly being overtaken by banks such as Kenya Commercial Bank. Other, like Equity, though very late entrants in the banking industry are now among the ones with the highest number of customers (CBK, 2012). This means that it has to come up with strategies to ensure it stays on top of the rest in the Kenyan banking and financial industry. Due to a persistent research gap of an empirical study on effects of competitive strategy on the performance of Barclays Bank of Kenya with specific focus on its Mombasa and Nairobi County branches, this research intended to make its contribution by taking a look at the extent to which Barclays Bank of Kenya's performance is a measure of its competitive. Data obtained from a sample of 38 Barclays bank of Kenya staff in various senior management positions both in its Mombasa branches and the head office in Nairobi was analyzed using descriptive statistics. It showed that the banks mission and strategic plan as implemented in the bank's performance as a competitive strategy was the most effective strategy employed by the bank. On the other hand, the bank's management activities in reaching to all types of customers in all income groups as a strategy had the least effect on the bank's performance as a competitive strategy. Further, it was noted that a majority of the respondents consider the strategies as having a positive impact on its performance

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The main aim of any modern business is to develop a competitive edge over its competitors. This is done with the intention that such an edge would enable it not only to outperform its competitors but as well sustain its profit making ability. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors (Kay, 1994). As espoused by Porter, the terms competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Porter 1980 cited by Lynch 1999). In other words, a company may be deemed to have competitive advantage when it is able to generate above average profits as compared with other companies it competes against within the same industry (Lynch 1999). A competitive advantage becomes strategic to a firm when the firm recognizes its competitive advantage, and then uses it as a wedge and strategy for generating more revenues and profits within the industry it competes in (Strategicadvantage.com 2012).

Banking industry is one of the forms of business enterprises in which cut throat competition thrives (Kinusi, 2010). Competition in the Kenyan banking industry has risen to the point where even international banks like Barclays among others have been forced to change their strategies in order to maintain and enlarge their market shares (Abishuan, 2010). Banks haven't been competing blindly as profitable growth and efficiency have displaced the traditional emphasis on volumetric targeting and "size for size's sake" (Howcroft, 2005). Just like other financial institutions, Barclays Bank of Kenya has in essence been motivated to better its performance in order to remain relevant in the financial market. Its level of performance could therefore be said to be a measure of its competitive strategy (Strategicadvantage.com 2012).

1.1.1 Competitive Strategy

Competitive strategy refers to how a company competes in a particular business and is concerned with how it will gain competitive advantage through a distinctive way of competing. According to Porter (1980), firms with a clear strategy outpace firms without a strategy. A competitive strategy articulates a firm's goals, how it will compete, and its policies for achieving those goals. Competitive advantage is defined in terms of cost and differentiation while linking it to profitability. To obtain firm performance within the scope of sustainable competitive advantage, decisions on shaping firm's competitive strategies are one of the main issues for managers under firms' business level strategy. Because, the formulation and completion of competitive business strategies that will improve performance are one of the competent methods to achieve firm's sustainable competitive advantage (Howcroft, 2005). Competitive advantage is the result of a strategy helping a firm to maintain and sustain a favorable market position. Therefore, the impact of competitive strategies on firm performance is a major issue of unease the policy makers and has been playing important role to refine firm performance for a long time (Yasar, 2010).

Kim and Mauborgne (2005) contest the dominant position that competition is assumed to play in strategic management. At the heart of this debate is Kim and Mauborgnes view that in the long term, firm profits need not be negatively related to the number of firms in its industry. They argue that firms can find markets where they can grow their profits without competition. By contrast, competitive strategy (Porter 1980, 1985) is related to economics concepts where long term competition and imitation are dominant forces. In this framework, even if firms adopt highly innovative strategies leading to enhanced performance (Hamel and Prahalad, 1994, and Hamel, 2002), the axiomatic underlying assumption of competitive strategy is that these will be temporary/transient advantages that sooner or later will be imitated and improved upon by other firms. This focus on competition in the literature means that the ability of firms to generate a competitive advantage is the central objective permeating most areas of strategic management (de Wit and Meyer, 2005).

Competitive Strategy is important as it involves a company taking offensive or defensive actions to create a defensible position in an industry or to successfully cope with competition and generate a superior return on investment. Competitive strategy is all about 'strategic intent', having a winning business model, and having 'the plan'-the 'answer' that is uniquely 'right' for organisation and its specific circumstances (Herrmann, 2008). . Since market opportunities continuously change, unless a firm continues developing new unique resources and new sustainable competitive advantages, a greater number of firms should simultaneously increase competition while reducing profits.

1.1.2 Firm Performance

Concise Oxford English dictionary defines performance as the extent to which an investment is profitable. In other words, in the corporate world, performance is the criterion through which an organization determines its capability to prevail. Banks exist to inter-mediate the transactions between demanders and suppliers of money at a given consideration (Teimet, Ochieng & Aywa, 2011). Financial liberalization of early 1990s in Kenya opened the banking industry to a number of players leading to stiff competition and weakening of financial performance of a number of commercial banks leading to collapse of some. In response, commercial banks have changed their behavior. The efficacy of the innovation in behavior change constitutes an important attribute of performance determined through performance measurement (Behn, 2003).

Performance measurement is a process of collecting and reporting information regarding the performance of an individual, group or organizations. It can involve looking at process/strategies in place, as well as whether outcomes are in line with what was intended or should have been achieved. Fundamental purpose behind measures is to improve performance. Measures that are not directly connected to improving performance (like measures that are directed at communicating better with the public to build trust) are measures that are a means to achieving that ultimate purpose (Behn 2003).

Behn (2003), gives 8 reasons for adopting performance measurements, which includes evaluating how well a public agency is performing, to control (Enables managers ensure their subordinates are doing the right thing, to budget, to motivate, to celebrate (Organizations need to commemorate their accomplishments- such ritual tie their people together, give them a sense of their individual and collective relevance), to promote exemplary performance, to learn (Learning is involved with some process; of analyzing information provided from evaluating corporate performance i.e identifying what works and what does not) and to improve (In order for corporation to measure what it wants to improve, it first need to identify what it will improve and develop processes to accomplish it).

1.1.3 Banking Industry in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The CBK is responsible for formulating and implementing monetary policy and fostering liquidity, solvency and proper functioning of the financial system (CBK, 2011). As at April 30, 2012, the sector comprised 43 commercial banks, 1 mortgage finance company, 6 deposit taking microfinance institutions, 112 foreign exchange bureaus and 2 credit reference bureaus (CBK, 2012).

Kenyan Banks have realized tremendous growth in the last five years and have expanded to the East African region. During the period ended April 2012, the Kenyan Banking sector registered improved growth in assets driven by growth in deposits, injection of capital and retention of profits (CBK, 2012). The sector registered improved performance in earnings and capital and the level of non-performing loans reduced compared with a similar period in 2011. The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges (Kinusi, 2010).

Some of the key challenges the banking industry faces are new regulations from the CBK being brought up from time to time e.g. building up core capital requirement to ksh. 1 Billion by December 2012, this made most banks look for ways to raise capital (CBK, 2012). There is also technological advancement which becomes a great challenge for the banks as they have to keep up with the various changes to stay competitive. Another challenge is Cooperatives offering cheaper products for their members and front end service which seem to be better for their members (CBK, 2012). This has been a challenge to banks especially for institutions that have vibrant Saccos which all the employees are members.

1.1.4 Barclays Bank of Kenya Limited

Barclays Bank of Kenya Limited, a subsidiary of Barclays plc, has operated in Kenya for the last 95 years. It currently has 126 branches which include standard branches; premier centre's and shift branches and 230 ATMS across the country (Barclays.com, 2012). The business units are Retail, Corporate, Treasury and Card services with cross functional relationships to support the segments of local business and small to mid-sized enterprises (SME). The bank has been performing well in the markets with the profit before tax as at March 2012 being ksh. 2.9 billion and total assets amounting to ksh. 176 billion (CBK, 2012).

Over the years, Barclays has contributed to the development of the banking industry, financial services sector, as well as the overall economy. For example it recently received the following industry recognition for leadership: Best Bank in Kenya – Global Finance (2008, 2009 & 2010); Company of the Year Award for Human Resource Management Practices - Kenya Institute of Management (2008); Best Retail Bank – 2009 Banking Awards; and Company that best complies with the International Financial Reporting Standards - FiRe Awards,2009 (BBK annual report, 2010).

In spite of the success it has witnessed over the years it has also faced several challenges emanating from internal mechanism and the environment. Some of the challenges that Barclays faces from apart from intense competition from its competitors include new regulations from the government which are beyond its control, for example the Finance Act of 2008 and technological advancement. In response, it has constantly improved its technology to suit its customers' needs as exemplified by its complete system change in July 2010 in an attempt to have a system that could serve the customers better (BBK annual report, 2010). Equally important is the challenge it faces emanating from demanding clientele. Being a big bank with a varied clientele, it has to cater for the unique needs of its various clients to their satisfaction. In catering for their needs, the service delivery has to be exceptional to avoid complaints and the client's flight to their competitors. The rapid growth of institutions like Saccos in number and potential is also a source of challenge as these Saccos offer almost similar products at better and lower rates for their members (CBK, 2012). How Barclays, answers to these challenges among others in terms of policy and practice change constitutes its competitive strategy and hence its overall performance and profitability.

1.2 Research Problem

Over the last few years, the banking sector in Kenya has continued to witness growth in assets, deposits, profitability and products they offer. The growth has mainly been underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region. Players in this sector have experienced increased competition which has culminated into increased innovations among the players and new entrants into the market (Kinusi, 2010).

Barclays though a major player in the Kenyan banking industry is facing many challenges from the environment and its competitors. In the recent past it has always made the highest profits. This however is slowly being overtaken by banks such as Kenya Commercial Bank. Other, like Equity, though very late entrants in the banking industry are now among the ones with the highest number of customers (CBK, 2012). This means

that it has to come up with strategies to ensure it stays on top of the rest in the Kenyan banking and financial industry.

In Kenya, several studies on competitive strategies employed by business organizations in a bid to outperform the competition have been undertaken under MBA projects. Wagura (1982) studied the location of additional depots in Nairobi Council's department, Iseme (2006) examined the factors influencing the location determination by foreign investment firms in Kenya as Hapisu (2003) tried to establish if there existed a relationship between strategic planning and competitive advantage in the export processing zones in Kenya. Other competitive advantage studies include that of Kager (2003) who surveyed companies listed on the NSE to determine influences of functional experience on choice of competitive strategies, Owuor (2005) who surveyed major oil firms in Kenya in a bid to establish the link between strategic alliances and comparative advantages as practiced by major oil firms in Kenya.

Another aspect of competitive advantage was examined by Dulo (2006) when he studied the sources of competitive advantage and its link to the performance of firms in the Kenya sugar industry. However, to date there is a persistent research gap of an empirical study on effects of competitive strategy on the performance of Barclays Bank of Kenya with specific focus on its Mombasa and Nairobi County branches. This research intends to make its contribution by taking a look at the extent to which Barclays Bank of Kenya's performance is a measure of its competitive strategy

1.3 Research Objectives

The study sought to establish the following:-

- i) Determine the strategies applied by Barclays Bank of Kenya in its operations.
- ii) The perceived effect of strategies adopted by Barclays Bank of Kenya on its performance.

1.4 Value of the Study

This study will be beneficial to several stakeholders including among others, the Central Bank of Kenya, other banks, investors and the academia. The study will be invaluable to regulators like Central Bank considering that Barclays Bank is one of the current leading banks in Kenya in terms of profitability. Other regulators who would benefit from the study include the Kenya Bankers Association and Capital Markets Authority.

The study will also be insightful to investors who would like to know more about the banks business model. It would particularly enable shareholders have more confidence in what they are investing in. Other banks would also get insight on their competitors with regard to its best practices or what Barclays Bank is doing differently which has made it to be successful.

The study will as well be beneficial to Barclays Bank who would through self assessment of its current policies and practice identify other strategies which would enable it to sustain its competitive edge. Finally, it will be useful to other researchers and help in stimulating further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter gives an account of what has been published on competitive strategies and performance by accredited scholars and researchers with the purpose of conveying to the readers the knowledge and ideas that have been established on the topic relative to their strengths and weaknesses (Taylor, 2010) and their application to the operations of Barclays Bank of Kenya.

2.2 Competitive Strategies

A bank's strategy consists of the approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. These strategies provide opportunities for the bank to respond to the various challenges within its operating environment. Banks develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Porter, 1985). The competitive aim is to do a significantly better job to its customers. The success of every organization is determined by its responsiveness to the customer needs.

There is a difficulty in finding a universally accepted definition for business strategy as people's understanding on the concept has greatly evolved since the term of 'strategy' was introduced to business and management in the 1960s. Chandler [1962, p.13], a pioneering researcher on this subject defines strategy as "the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals". Similarly, another early scholar (Ansoff, 1965, p.103) views 'strategy' as "decision, rules and guidelines" required by a firm for its "orderly and profitable growth". However, apart from this "design view of strategy", more recent works on strategy recognize that a strategy can be

more than an explicit, formal planning (Johnson & Scholes, 2002, p.39-61). In other words, not only can a strategy be a plan, but also a ploy, a pattern, a position, or a perspective (Mintzberg, 1987), depending on the context of discussion. The typological approach is recognized as creating a better understanding of the strategic reality of an organization, since all types of business strategy are viewed as having particular characteristics but a common strategic orientation.

While several typologies have been proposed (Ansoff and Stewart, 1967; Freeman, 1974; Porter, 1980), the most frequently used in empirical research is Miles and Snow's (Zahra and Pearce, 1990). Based on field studies in four industries, Miles and Snow classify firms within a given industry into four groups, i.e. defenders, prospectors, analyzers and reactors, depending on how a firm responds to the three major problems facing the firm (entrepreneurial, engineering, and administrative problems). Defenders have a limited range of products and focus on efficiency and process improvement; Prospectors have a broad market/product domain and tend to lead change in the industry; Analyzers fall between the above two groups and are likely to follow a second-but-better strategy; Reactors have no consistent strategy and they merely respond passively to environment pressure. Compared with other classification schemes for generic strategies (e.g. Abell, 1980; Porter, 1980), the Miles and Snow one has been widely supported on account of its strong theoretical orientation and generalizability (Chrisman, Hofer, & Boulton, 1988; Doty, Glick, & Huber, 1993; Smith, Guthrie, & Chen, 1989; Zahra & Pearce, 1990). However, in reality, firms' business strategic types may not be as 'pure' as Miles and Snow predict (Desarbo, Benedetto, Song, & Sinha, 2005) and the characteristics of each type may vary across industries (Hambrick, 1983).

2.3 Firm Performance

Applicability of the Miles and Snow model to the operations of Barclays Bank of Kenya is the focus of this paper. By taking a look at the practices in the industry and the original Miles and Snow typology, it is proposed on characteristics of the four types of developers as follows, sharing commonalities with those from other industries while meantime

presenting “sector-specific strategic recipe”(Spender 1989, cited in Child, 1997, p.56). The defenders tend to stick to one or a few cities, enjoying their strong links with the local markets. While they seldom significantly differentiate their products from others’, the locations of their projects are often attractive. The prospectors seek opportunities in broad market domain and they are usually pioneers of ‘new ideas’ in the market. Thanks to newer designs, more aggressive promotions and better services, their properties can usually enjoy higher prices than their counterparts at similar locations. The analyzers are seen as ‘balanced players’ in the industry, often following a second-but-better strategy in both local markets and markets in other areas.

The measurement of organizational performance is not easy for business organizations with multiple objectives of profitability, employee satisfaction, productivity, growth, social responsibility and ability to adapt to the ever changing environment among other objectives. Although performance has been traditionally conceptualized in terms of financial measures, some scholars have proposed a broader performance construct that incorporates non-financial measures including among others market share, product quality, and company image.

Commenting on the operations of the bank, one of the officials felt that its success could be attributed to Bank’s proven strategy and well diversified business, which is supported by excellently trained and experienced employees (BBK, 2010). Financial strength coupled with extensive local and international resources, the official says, has positioned the Bank as foremost provider of financial services. The bank’s financial performance over the years has built confidence among the Bank’s shareholders, with a reputation as one of the leading blue chip companies on the Nairobi Stock Exchange. Could the success with which the bank has been associated with be solely attributed to the strategies its management has put in place over the years? This is the most important question which this work seeks to answer.



2.4 Competitive Strategies and Firm performance

Banks exist to inter-mediate the transactions between demanders and suppliers of money at a given consideration (Teimet, Ochieng & Away, 2011). Earnings from these transactions form any bank's traditional income generating activities. The core function of a bank's marketing strategy consists not only of its internal initiatives to deliver satisfaction to customers, but also includes offensive and defensive moves to counter the maneuvering of rivals, actions to shift resources around to improve the bank's long term competitive capabilities and market position, and tactical efforts to respond to prevailing market conditions.

The competitive aim for a firm is to do a significantly better job of providing what customers are looking for, thereby enabling the company to earn a competitive advantage and outsmart rivals in the market place. It is the result of a strategy helping a firm to maintain and sustain a favorable market position. This position is translated into higher profits compared to those obtained by competitors operating in the same industry (Ghemawat, 1986). Indeed, understanding which resources and firm behaviors lead to competitive advantage is considered to be the fundamental issue in strategic management studies (Porter, 1980; Ghemawat, 1986).

The effect of competitive strategies on firm performance is analyzed in numerous studies. According to Porter (1980, 1985), firms with a clear strategy outpace firms without a strategy. This argument constitutes the base of his competitive strategies. In view of the highly competitive market, companies must quickly grasp surprising opportunities, respond to threats and outmaneuver their rivals to endure and succeed. Strategies exist at several levels in organizations, ranging from the overall business to individuals working. However, the levels of strategies are divided into three broad categories, namely corporate, business and functional levels (Thompson & Strickland, 1996)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains the methodology followed in the execution of the study. They include the research design, population, data collection and data analysis methodology. The research design highlights the descriptive design as the method of design chosen. This was chosen as it determined and reported the way things are at the company.

The population of study targeted all Barclays Bank employees as we intended to get views for all ranks of the company. This was important in order to get the perception of all the employees.

The method of data collection used was through questionnaires. These were important as they collected a large volume of data in a short period of time.

The data analysis used was through qualitative and quantitative techniques.

3.2 Research Design

The research design is the arrangements of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in the procedure (Orodho, 2002). In this study the researcher employed descriptive survey research design to obtain information on the competitive strategies and performance of Barclays Bank of Kenya.

Descriptive survey is usually used in the preliminary and explanatory studies to allow researchers to gather information, summaries, present and interpret it for the purpose of clarification (Orodho, 2002). Descriptive survey design is appropriate because the researcher was able to determine and report the way things are (Robson, 2002). The technique gives a vivid descriptive account of the factors identified and how they contribute to effective implementation of strategies (Robson, 2002; Mugenda & Mugenda, 2003). It is also designed to show the relationship between competitive strategies and performance.

3.3 Population

According to Mugenda and Mugenda (2003), population is defined as a complete set of individuals, cases of objects with some common observable characteristics. The study targeted all the Barclays Bank of Kenya employees in the various management positions of all the bank's branches in Mombasa and senior managers at the Bank's head office in Nairobi. Sample size therefore included all the heads of operation and sales department as well as the branch manager of each of the 16 branches in Mombasa and the Bank's operations and sales managers as well as the consumer banking director at the Bank's headquarter in Nairobi selected through purposive sampling

3.4 Data collection

Primary data was collected by use of semi-structured questionnaires containing both closed and open-ended questions covering competitive strategies and performance related issues employed by Barclays Bank of Kenya in its Nairobi and Mombasa branches to gain competitive advantage over their rivals. The questionnaires were used because they helped in the collection of large volumes of data within a short period of time and were easy to administer (Robson, 2002).

The respondents included the consumer banking director, branch managers, operations managers and sales managers who formulate firm strategy. Face to face interviews and drop and pick method was used to administer the questionnaire. Follow up was made through personal visits, telephone calls and e-mail to enhance response rate.

3.5 Data Analysis

Analysis procedures employed included both qualitative and quantitative techniques. Data collected by use of questionnaires were coded and analyzed using statistical package for social scientists (SPSS) version 20 for windows and use of descriptive statistics. Qualitative data were analyzed thematically to get counts and then percentages calculated based on the total number of responses.

Descriptive statistic using percentages, modes and means were used to analyze quantitative data. According to Orodho (2008) the advantage of descriptive statistics is that they enable the researcher to use one or more numbers (e.g. the mean, median, variance) to indicate the average score and variability of scores of a sample. Mugenda and Mugenda (2003), argue that when making the results known to a variety of readers, percentages have considerable advantage over more complex statistics. Data was then presented using frequency tables, bar charts and pie charts.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter presents an analysis of the data collected from a sample of 38 Barclays bank of Kenya staff in various senior management positions. Data analysis and report of findings was done using descriptive statistics in the form of frequency tables, percentages, mean and standard deviation. The relationship of the elements was investigated mean ranking. The findings of the study were discussed under the following research objectives:

- i) To determine the strategies applied by Barclays Bank of Kenya in its operations.
- ii) To determine the perceived effect of strategies adopted by Barclays Bank of Kenya on its performance.

4.2 Demographic Characteristics of the Respondents.

Demographic characteristics of the respondents were analyzed based on the respondent's gender, length of service with the bank as an employee and length of service in the respective management position.

4.2.1 Gender

The respondents were required to indicate their gender identity to assess the distribution of the job opportunities across the gender. The findings of the study were as is summarized in Table 4.1.

Table 4.1 Gender

Gender	Frequency	Percentage
Male	16	42.1
Female	22	57.9
Total	38	100.0

Source: Research Data.

According to the results of the analysis shown in Table 4.1, there were 16 (42.1%) males and 22 (57.9%) females showing a condition of near gender parity in the distribution of the senior management positions of the bank across the gender with slightly more females than men.

4.2.2 Length of service at the bank

The respondent's length of service was required to authenticate the degree of the respondent's familiarity with the competitive strategies within the financial institutions in general and banking industry in particular. The findings of the study are summarized in Table 4.2.

Table 4.2 Length of service at the bank

No. of years	Frequency	Percentage
0-1	6	15.8
2-5	14	36.8
6-10	7	18.4
Over 10	11	28.9
Total	38	100.0

Source: Research Data.

The results of the analysis of the respondent's length of service at the Barclays bank of Kenya shown in Table 4.2 shows that majority of the respondents had work with the bank for a period of time which could be considered to be long enough to enable them have a mastery of the business trends of the bank. For example, except for 6 (15.8%) respondents who had been with the bank for 1 year or less, 14 (36.8%) respondents indicated they had between 2 to 5 years work experience with the bank, 7 (18.4%) respondents had been at the bank for between 6 and 10 years and the remaining 11 respondents had worked at the bank for over 10 years.

4.2.3 Job designation

The respondents were also required to indicate the positions they each held at the bank to determine whether they were competent to provide relevant information for this research. Their responses were as is summarized in Table 4.3.

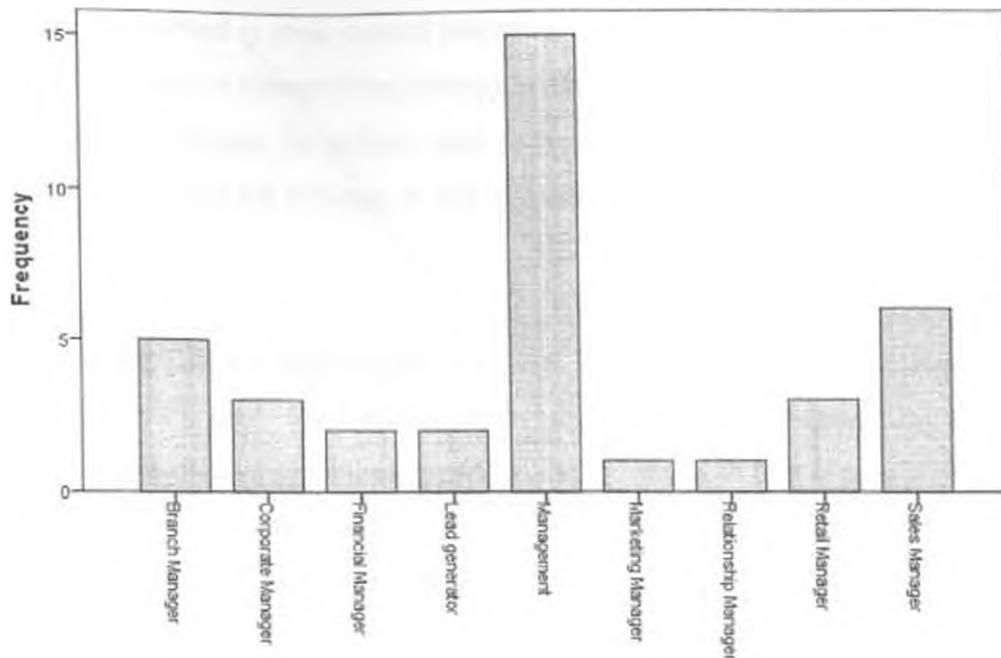
Table 4.3 Respondents job designation

Job designation	Frequency	Percentage
Branch Manager	5	13.2
Corporate Manager	3	7.9
Financial Manager	2	5.3
Lead generator	2	5.3
Management	15	39.5
Marketing Manager	1	2.6
Relationship Manager.	1	2.6
Retail Manager	3	7.9
Sales Manager	6	15.8
Total	38	100.0

Source: Research Data.

The results according to the summary of Table 4.3 shows that the respondents were drawn from across the management spectrum including 15 (39.5%) senior management staff from the headquarters and regional office, 5 (13.2%) branch managers, 3 (7.9%) corporate managers as well as retail manager of equal magnitude and 2 (5.3%) lead generators. Other officers included 6 (15.8%) sales managers, 2 (5.3%) financial managers and 1 (2.6%) marketing and relationship managers. This information can also be best captured by the bar graph Figure 4.1.

Figure 4.1 Respondents job designation



Source: Research Data.

4.2.4 Length of service in the current position

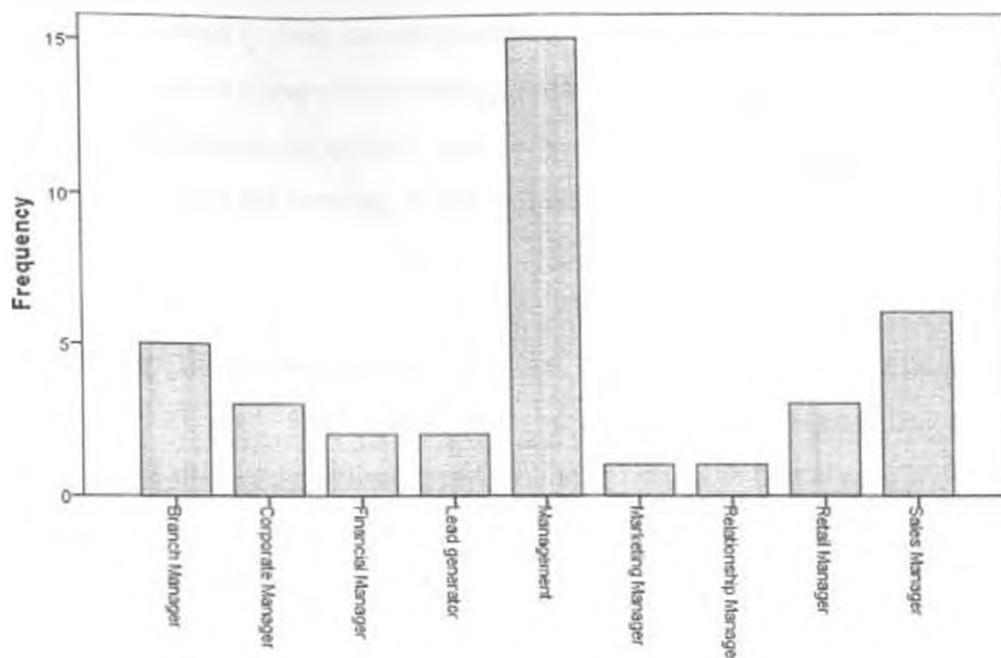
Since the officers were required to provide information regarding a very specific aspect of the bank's survival, it was necessary to authenticate their experience in the current position to validate their understanding the banks approach to overcoming the stiff competition in the financial sector. Their response is indicated in Table 4.4.

Table 4.4 Length of service at the current post.

No. of years	Frequency	Percentage
0-1	6	15.8
2-5	17	44.7
6-10	8	21.1
Over 10	7	18.4
Total	38	100.0

Source: Research Data.

Figure 4.1 Respondents job designation



Source: Research Data.

4.2.4 Length of service in the current position

Since the officers were required to provide information regarding a very specific aspect of the bank's survival, it was necessary to authenticate their experience in the current position to validate their understanding the banks approach to overcoming the stiff competition in the financial sector. Their response is indicated in Table 4.4.

Table 4.4 Length of service at the current post.

No. of years	Frequency	Percentage
0-1	6	15.8
2-5	17	44.7
6-10	8	21.1
Over 10	7	18.4
Total	38	100.0

Source: Research Data.

According to the results of the analysis summarized in Table 4.4, a majority of the officers had served in their current positions long enough to be able to have mastered the bank's approach to competitive strategy issues. Except for 6 (15.8%) who had served in their current positions for either 1 year or less, 17 (44.7%) had served for between 2 and 5 years, 8 (21.1%) for between 6 and 10 years and the remaining 7 (18.4%) for over 10 years.

Consequently, all the respondents indicated that they understood the bank's strategy to enhance performance. The bank as per the respondents, aims at being the go to bank with specific focus on cost reduction, profit maximization, give first class customer service not only to attract but also enable the bank retain its old customers. Further, all the respondents said that they were aware of the bank's mission which is to be the best bank in the region.

4.2.5 Bank's customers

The bank serves a variety of customers according to the respondents. These include, corporate organizations, small and medium enterprises, premier life customers and local businesses. Others include Government ministries, financial institutions, Government parastatals, micro-finance institutions, individual customers and business club customers.

4.2.6 Banks services

The bank was said to offer to its customers opening and maintenance, retail banking, mobile banking, corporate banking, la-visa banking and internet banking. In the money market, it offers personal loans, business loans, payroll loans, cash transfers, mortgages, cash deposits and ATM services. Further, the respondents indicated that the bank provides credit securities, premier services, premier life services and safe custody services. In terms of paperless money services, the bank was said to provide to its customers credit cards and Barclay card services. The bank also engages in E-channels and Forex trade with the treasury on behalf of its customers.

4.2.7 Main competitors

The bank's main competitors according to the respondents were mainly financial institutions. They include banks such as Equity, Co operative, Kenya commercial, Imperial, Standard chartered National and CFC Stanbic among others. Other financial institutions include micro financial institutions, Saccos, telecommunication firms such as Safaricom and Airtel money.

4.3 Competitive strategies and performance.

Due to stiff competition from other institutions which as earlier indicated include both banks and other financial institutions, the bank was said to have put in place a raft of measures to enable it cut its niche within the market. The research attempted to investigate the extent to which the strategies have impacted on bank's performance. The results of the data obtained are summarized in Table 4.5.

Table 4.5 Competitive strategies

Variable	NE		LE		SE		GE		VGE		Total	
	f	%	f	%	f	%	f	%	f	%	f	%
There is a relationship between the banks mission and strategic plan and the banks performance	-	-	-	-	-	-	9	23.7	29	76.3	38	100
There is a relationship between the Bank's management activities and its performance	-	-	-	-	-	-	17	44.7	21	55.3	38	100
There is a relationship between the bank's reliable performance data and its performance.	-	-	-	-	1	2.6	23	60.5	14	36.8	38	100
Being the go to bank has greatly improved the bank's performance	-	-	-	-	4	10.5	16	42.1	18	47.4	38	100
Using activations to reach out to various customers and stay competitive	-	-	-	-	1	2.6	21	55.3	16	42.1	38	100

has improved the bank's performance.												
Use of media to talk about their products especially on radio to reach out to various customers has improved the bank's performance	4	10.5	1	2.6	1	2.6	16	42.1	16	42.1	38	100
There is a relationship between the Banks performance and individual incentives to contribute to its performance	-	-	-	-	4	10.5	16	42.1	18	47.4	38	100
There is a relationship between the Banks performance and group incentives to contribute to its performance	4	10.5	1	2.6	3	7.9	15	39.5	15	39.5	38	100
The bank's excellent customer service has improved the bank's performance	-	-	1	2.6	3	7.9	19	50.0	15	39.5	38	100
There is a relationship between the bank's modernized the operating system and its performance.	6	15.8	1	2.6	3	7.9	14	36.8	14	36.8	38	100
There is a relationship between branding of their products and the bank's improved performance.	2	5.3	-	-	6	15.8	24	63.2	6	15.8	38	100
There is a relationship between the bank reaching to all types of customers in all income groups with improved performance.	4	10.5	7	18.4	8	21.1	14	36.8	5	13.2	38	100

Source: Research Data.

According to the results of the analysis of information obtained from the respondents on the relationship between competitive strategies and the bank's performance shown in Table 4.5, all the respondents were in agreement that there is a relationship between the

bank's mission and strategic plan and the banks performance to a great extent for 9 (23.7%) respondents and to a very great extent for 29 (76.3%) respondents. A similar scenario was witnessed on the fact that there is a relationship between the Bank's management activities and its performance to a great extent for 17 (44.7%) respondents and to a very great extent for 21 (55.3%). All except 1 (2.6%) respondent indicated that there is a relationship between the bank's reliable performance data and its performance to either great extent and very great extent, all except 4 (10.5%) respondents said being the go to bank has greatly improved the bank's performance great extent or very great extent and all except 1 (2.6%) respondent indicated that using activations to reach out to various customers and stay competitive has improved the bank's performance either to a great extent or to a very great extent.

Further investigations highlighted similar observations with the relationship between the banks performance and individual incentives to contribute to its performance and the effect of the bank's excellent customer service on the bank's performance. However, the relationship between the use of media to talk about products especially on radio to reach out to various customers and the improved the bank's performance, the relationship between the banks performance and group incentives to contribute to its performance, the relationship between the bank's modernized operating system and its performance, the relationship between branding of their products and the bank's improved performance and the relationship between the bank reaching to all types of customers in all income groups with improved performance had a slightly lower but still a significant majority of respondents affirming that the strategies affected the bank's performance either to a great extent or to a very great extent.

Mean ranking was used to classify the variables based on the extent of their effects on the bank's performance the summary of which is summarized in Table 4.6

Table 4.6 Mean ranking of effects of competitive strategies on bank's performance

Strategies	N	Mean	Std. Deviation
There is a relationship between the banks mission and strategic plan and the banks performance	38	4.76	.431
There is a relationship between the Bank's management activities and its performance	38	4.55	.504
There is a relationship between the bank's reliable performance data and its performance.	38	4.34	.534
Being the go to bank has greatly improved the bank's performance	38	4.37	.675
Using activations to reach out to various customers and stay competitive has improved the bank's performance.	38	4.39	.547
Use of media to talk about their products especially on radio to reach out to various customers has improved the bank's performance	38	4.03	1.241
There is a relationship between the Banks performance and individual incentives to contribute to its performance	38	4.37	.675
There is a relationship between the Banks performance and group incentives to contribute to its performance	38	3.95	1.251
The bank's excellent customer service has improved the bank's performance	38	4.26	.724
There is a relationship between the bank's modernized the operating system and its performance.	38	3.76	1.403
There is a relationship between branding of their products and the bank's improved performance.	38	3.84	.886
There is a relationship between the bank reaching to all types of customers in all income groups with improved performance.	38	3.24	1.218
Grand Mean		4.155	

Source: Research Data.

Results of mean rating of the effects of competitive strategies on the bank's performance summarized in Table 4.6 shows that the relationship between the banks mission and strategic plan and the banks performance registered the highest mean of 4.76 followed by the relationship between the bank's management activities and its performance (4.55), then the use of activations to reach out to various customers and stay competitive and improved bank's performance (4.39), followed by the effect of being the go to bank and the improved bank's performance and the relationship between the banks performance and individual incentives to contribute to its performance (4.37). Next in line was the relationship between the bank's reliable performance data and its performance (4.34) followed by the bank's excellent customer service and the improved the bank's performance (4.26), then the use of media to talk about products especially on radio to reach out to various customers and improved the bank's performance (4.03) followed by the relationship between the Banks performance and group incentives to contribute to its performance (3.95), the relationship between branding of their products and the bank's improved performance (3.84), the relationship between the bank's modernized operating system and its performance. (3.76) and least of all the relationship between the bank reaching to all types of customers in all income groups with improved performance (3.24). This means the implementation of the banks mission and strategic plan in the bank's performance as a competitive strategy was the most effective strategy employed by the bank followed by the bank's management activities while the bank reaching to all types of customers in all income groups as a strategy had the least effect on the bank's performance as a competitive strategy.

Consequently, the improved performance was registered in various areas of the bank's operation as indicated in Table 4.7.

Table 4.7 Effects of strategies on the bank's performance.

Variable	NE		LE		ME		GE		VGE		Total	
	f	%	f	%	f	%	f	%	f	%	f	%
Improved customer satisfaction	-	-	6	15.8	8	21.1	12	31.6	12	31.6	38	100
Reduces transaction time	-	-	1	2.6	12	31.6	18	47.4	7	18.4	38	100
Reduced customer queue in the hall	-	-	3	7.9	12	31.6	18	47.4	5	13.2	38	100
Increased clients retention	-	-	4	10.5	10	26.3	10	26.3	14	36.8	38	100
Enables BBK fight market competition	5	13.2	3	7.9	3	7.9	13	34.2	14	36.8	38	100

Source: Research Data.

Results obtained from the respondents about the effects of the strategies on the bank's performance shown in Table 4.7 shows that 32 (84.2%) respondents indicated that the bank had witnessed improved customer satisfaction, 37 (97.4%) said there was reduced transaction time and 35 (92.1%) said there was reduced customer queue in the hall. Further, 34 (89.5%) respondents indicated an increased clients retention while 30 (78.9%) respondents said the strategies had enabled Barclays bank of Kenya fight market competition. The above information implies that a majority of the respondents consider the strategies as having a positive impact on its performance.

The strategies were however found to have variable effect on the performance as is shown by mean ranking summarized in Table 4.8.

Table 4.8 Effects of strategies on performance

Competitive Strategy	N	Mean	Std. Deviation
Improved customer satisfaction	38	3.79	1.069
Reduces transaction time	38	3.82	.766
Reduced customer queue in the hall	38	3.66	.815
Increased clients retention	38	3.89	1.034
Ability of BBK fight market competition	38	3.74	1.389
Grand Mean		3.78	

Source: Research Data.

From Table 4.8 which contains the mean ranking of the effects of competitive strategies on performance shows that increased client retention had the highest mean rating of 3.89 followed by reduced transaction time (3.82), then improved customer satisfaction (3.79), ability of BBK to fight market competition (3.74) and lastly reduced customer queue in the hall. This means that increased client retention was the most significant effect of the competitive on the bank's performance while reduced customer queue in the hall was the least significant effect.

4.4 Discussions of research findings

In this chapter, an attempt has been made to analyze the information obtained from 38 Barclays bank of Kenya employees in senior management positions about the bank's competitive strategies and its performance. The research found out that the banks mission and strategic plan as implemented in the bank's performance as a competitive strategy was the most effective strategy employed by the bank followed by the bank's management activities of the bank reaching to all types of customers in all income groups as a strategy had the least effect on the bank's performance as a competitive strategy.

Further, it was noted that a majority of the respondents consider the strategies as having a positive impact on its performance.

In order for the bank to stand out from its competitors. the respondents said the bank offers the best customer service, offers the best lending rates, provide care calls to

existing customers and intensively takes part in corporate social responsibility. The bank was also said to be involved in taking the products to the people, participating both in community and customer service programs to lure customers, offer low interest rates for loan facilities. It was also said to have tremendously improved on its accessibility to all categories of customers as well as enhanced its level of innovation-come up with new ideas on how to provide better services.

Consequently the bank's services were found to have generally appreciated over the last two years. For example while its loans and deposit services were found to have appreciated by 20%, cash management systems had gone up by 10% and trade and asset financing by 25%. The level of performance vindicates the observations of a majority of the respondents stated and depicts the effectiveness of the competitiveness of the competitive strategies that the institution has put in place. The research findings seems to assert the observations of Porter (1985) who said that institutions (banks included) develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market. It also concurs with the findings of Porter (1980) and Ghemawat (1986) who noted that understanding which resources and firm's behaviors lead to competitive advantage is considered to be the fundamental issue in strategic management studies

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings gathered from analysis of the data collected from 38 senior management officers of the Barclays bank of Kenya branches and its Nairobi headquarters. Conclusions have been drawn from the study and recommendations put forward concerning competitive strategies and performance of Barclays bank of Kenya.

5.2 Summary of findings

The study sought to find out the competitive strategies put in place by Barclays bank of Kenya and their effects on the bank's performance. The sample consisted of 38 senior management employees of the bank at the bank's Mombasa branches and head office in Nairobi. The study found out that there is a fair distribution of job opportunities across the gender at senior management level of the bank with the females being slightly more. An enquiry on the competitive measures put in place to award off stiff competition indicated that the banks mission and strategic plan as implemented plays a pivotal role in the bank's performance as a competitive strategy and was the most effective strategy employed by the bank. Other effective strategies included the relationship between the bank's management activities and its performance, the use of activations to reach out to various customers and stay competitive and improved bank's performance, the effect of being the go to bank and the improved bank's performance and the relationship between the banks performance and individual incentives to contribute to its performance. The bank's management activities in reaching to all types of customers in all income groups as a strategy though an effective strategy however had the least effect on the bank's performance. Further, it was noted that a majority of the respondents consider the strategies as having a positive impact on its performance. For instance, the bank's services were found to have generally appreciated over the last two years. Specifically,

while its loans and deposit services were found to have appreciated by 20%, cash management systems had gone up by 10% and trade and asset financing by 25%.

5.3 Conclusions of the study

Conclusions of the study findings are advanced based on the relationships that were established for each of the different research objectives. It can be concluded that the banks mission and strategic plan as implemented in the bank's performance as a competitive strategy was the most effective strategy employed by the bank. On the other hand, the bank's management activities in reaching to all types of customers in all income groups as a strategy had the least effect on the bank's performance as a competitive strategy. Further, it was noted that a majority of the respondents consider the strategies as having a positive impact on its performance.

5.4 Limitation of the study

The study was found to be limiting by two factors. First major limitation of the study was as regards access to relevant information for the study. Due to the sensitivity nature of the relevant information, majority of the respondents were very reluctant to cooperate with the researcher in giving out what they perceived as the bank's secrets of success. Secondly, a majority of the respondents being senior managers were relatively busy and therefore not readily available.

5.5 Suggestions for further research

From the findings further research is suggested as follows; First and foremost, a study on the perceptions of the bank's customers on the quality of service delivery by the Barclays bank of Kenya. Secondly, a comparative study of the competitive strategies adopted by various banks and their effects on the banks performance. Lastly, a comparative study on the perception of the bank's employees on the competitive strategies applied by the banks and its effects on their performance.

5.6 Implications for policy and practice

From the observations made in the course of this study it is recommended that the bank enhance some of its strategies which though effective in counteracting the bank's competitor's strategies could register better results if strengthened. These include its customer relations, its operating systems, branding of its products and group and individual incentives.

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APPENDICES

Appendix 1: Letter to respondents

CHRISTABEL WANJIKU MAXINE
P.O.BOX 98629-80100 MOMBASA
MOMBASA
AUGUST 2012

Dear Sir/ Madam,

RE: DATA COLLECTION FOR MBA RESEARCH PROJECT.

I am a student at the University of Nairobi pursuing a Master of Business Administration. I am conducting a research on employee perception of the relationship between competitive strategies and performance in Barclays Bank of Kenya.

I would be grateful if you could please provide the information sought by the questionnaire provided.

Your responses will be treated in strict confidence and the results of the report will be used solely for academics purposes.

Yours faithfully

.....

Christabel Maxine

Student

Confirmed by

.....

Prof. Martin Ogutu

Supervisor, University of Nairobi



Appendix 2: Questionnaire

Introduction

The statements below are intended to gather information on competitive strategies and performance of Barclays Bank of Kenya. Suggest to the best of your knowledge your opinion against each of the statements given. The information obtained from this guide will be treated with utmost confidentiality and will not be used for any other purpose other than academic for which it is intended. Thanks for accepting to take part in the programme.

Section 1: General Information

1. What is your Gender?

Male [], Female []

2. How many years (s) have you worked with the organization?

0-1 years [], 1 – 5 years [], 5 – 10 years [], over 10 years

3. What position do you hold in this organization?

4. How long have you held this position?

0-1 years [], 1 – 5 years [], 5 – 10 years [], over 10 years

5. Since the time you had been with the organization, would you say you understand the strategy of your organization to enhance performance? Yes [], No []

6. If yes above, give its objectives _____

7. Does the agency have a mission and strategic plan?

If yes, state each of them

8. List some of the Banks customers

i) _____ ii) _____

iii) _____ iv) _____

9. Which are the categories of services that the Bank offer to the above listed customers?

i) _____ ii) _____

iii) _____ iv) _____

Appendix 2: Questionnaire

Introduction

The statements below are intended to gather information on competitive strategies and performance of Barclays Bank of Kenya. Suggest to the best of your knowledge your opinion against each of the statements given. The information obtained from this guide will be treated with utmost confidentiality and will not be used for any other purpose other than academic for which it is intended. Thanks for accepting to take part in the programme.

Section 1: General Information

1. What is your Gender?
Male [], Female []
2. How many years (s) have you worked with the organization?
0-1 years [], 1 – 5 years [], 5 – 10 years [], over 10 years
3. What position do you hold in this organization?
4. How long have you held this position?
0-1 years [], 1 – 5 years [], 5 – 10 years [], over 10 years
5. Since the time you had been with the organization, would you say you understand the strategy of your organization to enhance performance? Yes [], No []
6. If yes above, give its objectives _____
7. Does the agency have a mission and strategic plan?
If yes, state each of them
8. List some of the Banks customers
 - i) _____
 - ii) _____
 - iii) _____
 - iv) _____
9. Which are the categories of services that the Bank offer to the above listed customers?
 - i) _____
 - ii) _____
 - iii) _____
 - iv) _____

10. Who are the Bank's main competitors?

- i) _____ ii) _____
- iii) _____ iv) _____

11. What do you do to make your Bank/Branch stand out from its competitors?

- i) _____
- ii) _____
- iii) _____

Section 2: Competitive strategy and performance (please indicate the extent of effect of each strategy on performance of the bank; NE = No extent, LE = Little extent, SE= Some extent, GE= Great extent, VGE= Very great extent)

Statements	NE	LE	SE	GE	VGE
12. There is a relationship between the banks mission and strategic plan and the banks performance					
13. There is a relationship between the Bank's management activities and its performance					
14. There is a relationship between the bank's reliable performance data and its performance.					
15. Being the go to bank has greatly improved the bank's performance					
16. Using activations to reach out to various customers and stay competitive has improved the bank's performance.					
17. Use of media to talk about their products especially on radio to reach out to various customers has improved the bank's performance					
18. There is a relationship between the Banks performance and individual incentives to contribute to its performance					

19. There is a relationship between the Banks performance and group incentives to contribute to its performance					
20. The bank's excellent customer service has improved the bank's performance					
21. There is a relationship between the bank's modernized the operating system and its performance.					
22. There is a relationship between branding of their products and the bank's improved performance.					
23. There is a relationship between the bank reaching to all types of customers in all income groups with improved performance.					

24. In the table below indicate the extent to which each of these variable has benefited from the Bank's financial innovation in a scale of 1 to 5 (NE-VGE)

Qualitative variable	NE	LE	SE	GE	VGE
Improved customer satisfaction					
Reduces transaction time					
Reduced customer queue in the hall					
Increased clients retention					
Enables BBK fight market competition					

Thank you for taking part in this exercise.