STRATEGIC RESPONSES TO COMPETITION BY BARCLAYS BANK OF KENYA LIMITED.

BY

RAMONA CHEPNGETICH MWAREY

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE IN MASTERS OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER 2008

DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any other university for academic credit.

Signed: .... Date: ...11/11/08:......

Name: Ramona Chepngetich Mwarey

Registration Number: D61/P/8993/05

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

Signed: .... Date: ...12/11/08....

JEREMIAH KAGWE

SENIOR LECTURER - DEPARTMENT OF BUSINESS ADMINISTRATION

DEDICATION

This project is dedicated to my parents Mr. and Mrs. Mwarey who brought me up in a disciplined way encouraging me to be the best at every stage. To my brothers, sisters and friends Josiah, Khadija and Kweche for all their support and being there for me.

ACKNOWLEDGEMENT

While it is not possible to thank everyone who inspired or assisted me in one way or the other in undertaking this work, I wish to recognise the following:

My supervisor Jeremiah Kagwe who gave me professional guidance and direction on how to go about the research.

I am also grateful to my family and friends who had to put up with me during the entire research period. I was not able to be with them all the time and their encouragement has finally seen me achieve my dream.

I also appreciate my colleagues at Barclays Bank of Kenya for their support while undertaking the interviews.

Finally, I thank the Almighty God for the life and strength He gave me. His protection has seen me through the turbulent times.

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

(ATM)	Automated Teller Machine
(CBK)	Central Bank of Kenya
(CEO)	Chief Executive Officer
(KCB)	Kenya Commercial Bank
(KIPDA)	Kenyan Independent Petroleum Dealers Association
(SMS)	Short Messaging System
(SPSS)	Statistical Package for Social Sciences)
(TQM)	Total Quality Management
(UK)	United Kingdom

ABSTRACT

The Kenyan banking sector is an important sector in improving the economy of the country. Over the past years, the banking sector has witnessed phenomenal growth in its asset base attributed to the increase in deposits and injection of capital as well as retention of profits by industry players. To maximise on market opportunities, most banks have been flexible and reacted to the market signals .Competition has been very intense leading to most banks employing different strategies in order to remain competitive.

The objective of the study was to identify strategic responses of Barclays Bank of Kenya to competition. The study used a case study design which was suitable in situations where questions such as how, why and what are investigated on a certain phenomena to give facts of the situation as it is, without interference by the researcher. Primary data was collected using an interview guide to the Chief Executive Officer (CEO) and the function heads at Barclays bank who totaled to 10. Data collected was then coded to facilitate statistical analysis. The SPSS (Statistical package for social sciences) was used to analyze the data. Data was presented through narratives.

From the study, the researcher found that for Barclays bank of Kenya to remain competitive in the market, it adopted some strategies which were offering wide range of products and services, engaging highly skilled staff, automation of business processes, avoiding, use of publicity, outsourcing support, advertisements and also reducing operating staff.

CHAPTER ONE:

INTRODUCTION

1.1 Background

1.1.1 The concept of strategic responses

Business organizations all over the world, Kenya being not exceptional must not only compete in terms of sales and profit but also in all other areas. For example, each firm must have competent and skilled employees, which are often in short supply. An easy solution would be to increase the wages but this will lead to a bidding war when several competitors need people with the same skills. Besides competition in product and service, markets force employers to keep labor costs low. What managers do is that they introduce other benefits and working conditions in terms of recruitment and retention (Safford, 2005). In terms of sales and profit, what managers can do is advertise the product to build brand loyalty, select a less competitive domain, and merge with competition to gain larger market share and also negotiate a co-operative agreement with the competition (Trigeorgis, 2001). Competition is a business reality no company or business can escape competition: even the typical monopoly ultimately meets its match where, for instance, its business stagnates as a result of its own complacency (Kingori Choto, 2008).

Businesses of all sizes practice some form of strategic management in response to competition for its survival and sustained profitability. Businesses use strategic management to formulate as well as implement strategy in order to compete successfully. Lawrence et al (1967) stressed that strategic management is applied for the purposes of moulding, directing and relating an organization effectively to its environment. Furthermore, Murray (1988) considered strategic management as the most critical element of the management of organizations because it explains success and survival to a large extent.

Much of the research on strategic management that focuses on business strategies, environment and organizational performance suggests business strategy can influence organizational performance (Karemu, 1993). Strategic management is a managerial function that helps corporations identify, analyze, and respond to social and political concerns that can significantly affect them (Miles & Snow, 1978).

1.1.2 Competition

According to Hunger and Wheelen (1996) the environment consists of variables that form the context within which the firm exists. As Pearce and Robinson (2000) noted, an environment can be divided into two main subsets: internal and external environments. They point out that the internal environment comprises factors such as the organizations competitive capabilities and both tangible and intangible resources that affect the firm's abilities to meet its objectives. These include the organizations' culture, structure and resources (Hunger and Wheelen, 1996).

Competition exists when different organizations seek commitments of time and energy from the same target markets and an organization faces competition when its success depends upon behavior of other actors who are trying to fulfill similar customer needs. As Porter (1979) noted, it's prudent for any firm to understand the underlying sources of competitive pressure in this industry in order to formulate appropriate strategies to respond. Firms often respond to such environmental changes through strategic responses and operational responses (Bartol and Martin, 1998).

Ansoff and Mc Donell (1959) view responses as the activities that either the total organization or its building blocks carries out so as to handle change. According to them, the role of general management in strategic responses is about setting the right climate (will to respond), competence (ability to respond) and capacity (volume to respond).

1.1.3 Banking Industry in Kenya

The Kenyan environment has become more complex over time. This has seen the rise and fall of many firms. The Kenyan banking industry is the most diverse in East Africa with the Kenya Commercial Bank (KCB) being certainly the largest of all the indigenous banking companies in Kenya and East Africa as a whole. In addition the number of Kenyans who have bank accounts has grown tremendously to 4.6 million.

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 banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non banking financial institutions, interest rates and other publications and guidelines.

The industry has faced several issues such as changes in the regulatory framework, declining interest margins due to customer pressure, increased demand for non –traditional services and introduction of non-traditional players, who now offer financial services products.

The Kenyan banking industry is very competitive and is evident by the erratic changes being adopted by various banks. Key changes in the banking sector has led to its growth and these include; more financial institutions because of the passed laws (building society act) and deeper tracking of banking costs by Central Bank of Kenya so as educate customers on banking costs.

1.1.4 Barclays Bank of Kenya Limited

Barclays has operated in Kenya for over 90 years. Financial Strength coupled with extensive local and international resources have positioned Barclays Bank of Kenya as a foremost provider of financial services. Barclays has established an extensive network of over 115 outlets with 234 ATMs spread across the country. The bank's financial performance over the years has built confidence among stakeholders, with a reputation as one of the leading blue chip companies on the Nairobi Stock Exchange. Barclays bank which is a multinational bank incorporated in the UK (United Kingdom) has grown to be the dominant bank institution in Kenya. It has its network spanning all over Kenya.

To survive in the current competitive industry, all firms including banks must adopt strategic response management to the competitive environment in which they operate in, as a means of performance improvement. It is upon this background that this study is formulated to study how strategic responses to competitive environment are adopted by Barclays bank without contravening The Banking Act of Kenya which all banks must abide with.

Barclays bank has been in Kenya for over 90 years and has been going from strength to strength. This implies that it has been able to tackle competitive challenges effectively for it to be and remain competitive.

1.2 Statement of the Problem

Given the current uncertainty and surprising environmental turbulence in the global context, especially in Kenya, there is a need to institutionalize flexibility and dynamism in planning and implementation of projects. No longer can any enterprise depend on historical trends or projected trend without critically observing, analyzing and evaluating "surprising events and issues" which affect the known trend-be it external or internal (David, 2003).

The Kenyan banking sector is an important sector in improving the economy of the country. Over the past years, the banking sector has witnessed phenomenal growth in its asset base attributed to the increase in deposits and injection of capital as well as retention of profits by industry players. To maximise on market opportunities, most banks have been flexible and reacted to the market signals .Competition has been very intense leading to most banks employing different strategies in order to remain competitive.

With the onset of global market competition facilitated by e-commerce, "things" are changing pretty fast – occasionally changes taking place in the opposite direction of the known trend or of the projected trend (Thompson et al, 2007). Information is now transmitted worldwide within seconds. In a discontinuous and surprise environmental turbulence, management process should be flexible, dynamic and entrepreneurial so as to allow timely response to novel and unexpected strategic issues.

In Kenya, various studies have been conducted on how firms respond to different challenges Kombo (1997) studied strategic responses by firms facing changed environmental conditions where he focused on the motor vehicle franchise holders in Kenya. Lengopito (2004) studied strategic responses to increased competition in the healthcare industry and Kandie (2005) studied strategic responses adopted by Telkom Kenya Ltd in a Competitive Environment.

The researcher is unaware of any study on the strategic responses employed by banks in Kenya and this is why the study needs to be conducted since strategic responses employed in one industry need not be the same in another industry.

The issue at hand is the various competitive strategies adopted by Barclays bank in its bid to successfully compete with other big and well networked indigenous banks like Kenya Commercial Bank and multinational banks such as Standard Chartered bank. The bank competes intensively amongst other powerful bigger firms and is likely to be adopter of strategic management practices for both its survival and profitability. An example of strategies it has adopted is intensive marketing and sales drives all over the country.

There is a need therefore to formulate a study among the large banks specifically to understand; What competitive strategies do big banks employ to be and remain competitive? What are the factors that influence choice of such strategies? Is there any relationship between strategic response management to competitive environment and performance in these institutions?

1.3 Objective of the Study

The objective of the study was to identify strategic responses of Barclays Bank of Kenya to competition.

1.4 Significance of the Study

The study will promote Barclays Bank's Managers strategic thinking in response to competition when addressing the issues affecting their customers and survival of the institution.

Other organizations will get the understanding of how Barclays bank has managed to be competitive even when other banks were falling and how it has consistently retained its position as a leading bank in Kenya.

In the academic field it will form a basis upon which further research on issues in strategic response to competitive environment may it be in banks and even other sectors of economy firms.

CHAPTER TWO:

LITERATURE REVIEW

2.1 Concept of Strategy

A strategy is a long term plan of action designed to achieve a particular goal, most often "winning" (Thompson et al, 2007). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated, and often practically rehearsed. Strategy is a deliberate search for a plan of action that will develop a business's competitive advantage and compound it. For any company, the search is an iterative process that begins with recognition of where you are now and what you have now. Your most dangerous competitors are those that are most like you. The differences between a firm and its competitors are the basis of its advantage. If a firm is in business and is self-supporting, then it already has some kind of advantage, no matter how small or subtle. The objective is to enlarge the scope of the advantage, which can only happen at some other firm's expense (Clayton, C., 1997).

Strategic response to competitive environment is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives amid the competitors' existence. It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Strategic management comes in handy which combine the activities of the various functional areas of a business to achieve organizational objectives. It is the highest level of managerial activity, usually formulated by the Board of directors and performed by the organization's Chief Executive Officer (CEO) and executive team. Strategic management provides overall direction' to the enterprise and is closely related to the field of Organization Studies (Treacy & Wiersema, 1993).

"Strategic management is an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment." (Lamb, 1984).

Strategic management is a combination of three main processes namely; Strategy formulation, Strategy implementation and Strategy evaluation. Strategy development is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy process. Without analysis, the process of strategy formulation, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers, to contemporary fads, and to wishful thinking (Henry, 1978).

According to Collis et al (1995) concepts, theories, and analytic frameworks are not alternatives or substitutes for experience, commitment, and creativity. But they do provide useful frames for organizing and assessing the vast amount of information available on the firm and its environment and for guiding decisions, and may even act to stimulate rather than repress creativity and innovation.

The benefit of strategy is not just offering simplification and consistency to decision making, but the identification of strategy as the commonality and unity of all the enterprises decisions also permits the application of powerful analytical tools to help companies create and redirect their strategies. Strategy can help the firm establish long-term direction in its development and behavior (Gary & Prahalad, 1993).

Equally important, a strategy serves as a vehicle for achieving consistent decision making across different departments and individuals. Hamel & Prahalad (1989) views organizations as composed of many individuals all of whom are engaged in making decisions that must be coordinated. For strategy to provide such coordination requires that the strategy process acts as a communication mechanism within the firm. Such a role is increasingly recognized in the strategic planning processes of large companies. The shift of responsibility of strategic planning from corporate planning departments to line managers and the increased emphasis on discussion the businesses and the corporate headquarters (as opposed to the formal approval of written plans) are part of this increased emphasis on strategic planning as a process for achieving coordination and consensus within companies (Buzzell & Gale, 1989).

Hrebiniak (2005) argues that increasing, strategic planning processes are becoming part of companies knowledge management systems: as management becomes increasingly concerned with how companies create, store, transfer, and deploy knowledge assets, so strategic planning becomes an integral part of how deeply-embedded understanding of businesses and their environments become transferred between business units, divisional, and corporate levels and how the knowledge of many different managers and functional experts becomes integrated within strategy.

Strategy is forward looking. A fundamental concern is what the firm (or the individual or the organization more generally) wants to be in the future. Such a view is often made explicit in a statement of company *vision*. The purpose of such goal setting is not just to establish a direction to guide the formulation of strategy, but also to set aspirations for the company that can create the motivation for outstanding performance. Hamel and Prahalad (1989) argue that a critical ingredient in the strategies of outstandingly successful companies is what they term "strategic intent"—an obsession with achieving leadership within the field of endeavor. Business strategy, which refers to the aggregated operational strategies of single business firm or that of an SBU in a diversified corporation, refers to the way in which a firm competes in its chosen arena.

Michael (1980) views corporate strategy, as the overarching strategy of the diversified firm. Such corporate strategy answers the questions of "in which businesses should we compete?" and "how does being in one business add to the competitive advantage of another portfolio firm, as well as the competitive advantage of the corporation as a whole?"

Since the turn of the millennium, there has been a tendency in some firms to revert to a simpler strategic structure. This is being driven by information technology. It is felt that knowledge management systems should be used to share information and create common goals. Strategic divisions are thought to hamper this process (Trigeorgis, 2001).

2.2 Competitive strategies

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM (Total Quality Management), benchmarking, and reengineering (Safford, 2005). Dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability. And gradually, the tools have taken the place of strategy. Njau (2000) argues that as managers push to improve on all fronts, they move further away from viable competitive positions. Porter (1980) argues that operational effectiveness, although necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match.

Hitt et al (1997) holds that a winning competitive strategy is always founded on consistently understanding and predicting changing market conditions and customer needs. The goal of much of business strategy is to achieve a sustainable competitive advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Kombo, 1997).

Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

2.3 Competitive strategy models

2.3.1 Ansoff Growth Strategies: Product/Market Matrix

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies: i) Market penetration (existing markets, existing products): Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions; ii) Product development (existing markets, new products): A firm with a market for its current products might embark on a strategy of developing other products catering to the same market. Frequently, when a firm creates new products, it can gain new customers for these products. Hence, new product development can be a crucial business development strategy for firms to stay competitive; iii) Market development (new markets, existing products): An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm; iv) Diversification results in the company entering new markets where it had no presence before. It usually requires new skills, new techniques, and new facilities. As a result it almost invariably leads to physical and organizational changes in the structure of the business which represent a distinct break with past business experience.

The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than `penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value - although it does always offer a useful reminder of the options which are open.

2.3.2 Porter's generic Strategies

Porter (1980) has described a category scheme consisting of three general types of strategies that are commonly used by businesses. These 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 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 the firm. In particular he identified two competencies that he felt were most important: product differentiation and product cost.

2.3.2.1 Cost Leadership Strategy

This strategy emphasizes efficiency. By producing high volumes of standardized products, the firm hopes to take advantage of economies of scale and experience curve effects. The product is often a basic no-frills product that is produced at a relatively low cost and made available to a very large customer base. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features. For example Equity Bank has taken advantage of economies of scale to grow their market share.

To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labour, or some other important input. Without one or more of these advantages, the strategy can easily be mimicked by competitors. Successful implementation also benefits from; Process engineering skills, Products designed for ease of manufacture, Sustained access to inexpensive capital, Close supervision of labour, Tight cost control and Incentives based on quantitative targets.

2.3.2.2 Differentiation Strategy

Differentiation involves creating a product that is perceived as unique. The unique features or benefits should provide superior value for the customer if this strategy is to be successful. Because customers see the product as unrivaled and unequaled, the price elasticity of demand tends to be reduced and customers tend to be more brand loyal. This can provide considerable insulation from competition. However there are usually additional costs associated with the differentiating product features and this could require a premium pricing strategy.

To maintain this strategy the firm should have: strong research and development skills, strong product engineering skills, strong creativity skills, good cooperation with distribution channels, strong marketing skills, incentives based on subjective measures, be able to communicate the importance of the differentiating product characteristics, stress continuous improvement and innovation and attract highly skilled and creative people

2.3.2.3 Focus Strategy

In this strategy the firm concentrates on a selected few target markets. It is also called a focus strategy or niche strategy. It is hoped that by focusing your marketing efforts on one or two narrow market segments and tailoring your marketing mix to these 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 select targets that are less vulnerable to substitutes or where a competition is weakest to earn above-average return on investments.

Several commentators have questioned the use of generic strategies claiming they lack specificity, lack flexibility, and are limiting. In many cases trying to apply generic strategies is like trying to fit a round peg into one of three square holes: You might get the peg into one of the holes, but it will not be a good fit.

In particular, Millar (1992) questions the notion of being "caught in the middle". He claims that there is a viable middle ground between strategies. Many companies, for example, have entered a market as a niche player and gradually expanded. According to Baden-Fuller and Stopford (1992) the most successful companies are the ones that can resolve what they call "the dilemma of opposites".

2.4 Grand Strategies

Firms may respond to increased competition by entering new markets with similar products. These could be markets they are currently not serving, or new geographical markets. Market entry strategies may include acquisitions, strategic alliance and joint ventures. Firms may also react to competitive forces by developing new products. This will be aimed at reducing risks through diversification as a means of responding towards competitive forces could be related or unrelated. Related diversification may take the form of vertical or horizontal integration. In the face of increased competition this has the benefit of cost reduction, defensive market power, and offensive market power. Backward integration takes a firm closer to suppliers while forward integration moves it closer to its customers. Forward diversification may involve acquisitions of businesses not within the current product and market scope (Pearce and Robinson, 1997).

Bernard (1938) and Simon (1957) recognized that firms on their own cannot create resources and capabilities needed to prosper and grow; they identified collaboration as a viable way of combining resources in business opportunities. As argued by Harrigan (1985) strategic alliances are more likely to succeed when players possesses complementary assets and thus a firm will seek knowledge it considers lacking but vital for the fulfillment of its strategic objectives. A firm will furthermore need to posses knowledge base in the same area, since only such similarity will allow an understanding of the intricacies of the new knowledge as well as of its applicability to the firms unique circumstances (Coher and Levintal, 1990).

Differentiation is used by firms as a response technique to increased competition by firms. A firm can also result to creating entry, mobility and substitute barriers to strategic groups. Such barriers can be in the form of differentiation that makes it difficult to imitate products (Shushil, 1990).

Firms can also respond to competition by collaborating with other players in the industry. Such collaborations take the form of strategic alliances, mergers and acquisitions, licensing, franchising among others. Schollei (1999) argues that in order to fortify a firm's position against predators from abroad, it is important to collaborate. Collaboration also reduces the cost of differentiation and enhances competitive advantage (Morrison and Lee, 1990).

2.5 Competitive Strategies and Challenges Facing Firms

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 (1989) identify three types of competitive strategies challenges; that they may hamper a firm's ability to grasp new opportunities, they 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 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, between strategy and reward structures, between strategy and internal support systems 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.

Nyokabi (2001) found out the challenges facing the Kenyan Independent Petroleum Dealers Association (KIPDA) to include low customer confidence, negative publicity, stiff competition from established outlets, insufficient funds for advertising, having few outlets, increased overheads, fluctuating prices and low sales. Overall the competitive strategies most utilized were identified as looking for reliable suppliers, using suppliers who deliver first and serving all customers.

Karanja (2002) found out that the most popular type if competitive strategy was employed by real estate firms was on the basis of differentiation. The study further found out the major challenges facing these firms to be the rising level of interest rates and inflation. These studies points out those local firms apply competitive strategies that are unique and sector specific; hence, cannot be generalized.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

A research design is defined as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to purpose with the economy in procedure (Mugenda and Mugenda, 2003). The study used a case study design which is suitable in situations where questions such as how, why and what are investigated on a certain phenomena to give facts of the situation as it is, without interference by the researcher. This design is where background, development, current conditions and environmental interactions of one or more individuals, groups, communities, businesses or institutions is observed, recorded and analyzed for stages of patterns in relation to internal and external influences. This design was considered appropriate since only Barclays bank of Kenya was used for the study on how it dealt with challenges from competition. It was also appropriate because an in-depth and comprehensive inquiry was required to be conducted to have in-depth description of the subject under study.

3.2 Data Collection

3.2.1 Types of data

Mugenda and Mugenda (2003) notes that there are two types of data: primary and secondary. Primary data is facts, assumptions or premises obtained directly from the field. Secondary data is applied to facts, assumptions and premises contained in documentary sources. Both of these sources were used for the study. Secondary data was used in review of literature while primary data was collected from the field.

3.2.2 Data collection tools

Primary data was collected using an interview guide to the Chief Executive Officer (CEO) and the function heads at Barclays bank. The interview guide was designed to collect general information and provide answers to the research questions. The interview guide contained both open and closed ended questions. The interview guide was divided into two sections; A and B. Section A addressed the general information about the respondents and the company while Section B addressed the main issues in order to seek responses to the research questions.

3.2.3 Respondents

The target population for the study was the Chief Executive Officer (CEO) and the Heads of Functions in the Head Office. The study targeted these employees since in deciding what response to adopt in a given competitive situation; it is these employees who were fully involved from start to finish. Other employees are usually involved in the implementation stage. The Chief Executive Officer and the Heads of Function are therefore believed that they will give the required information for the purposes of this study. The Chief Executive and the Head of Functions numbered about 10.

3.2.4 Data Collection Procedure

The interview guide was administered by face to face interview. The researcher visited the interviewees in their work stations. Since the Head of Functions and the Chief Executive Officer (CEO) were all based at the head Office (Barclays Plaza), the exercise took 3 days.

3.3 Data Analysis

Data analysis is the whole process, which started immediately after data collection and ended with the interpretation and processing of results (Mugenda and Mugenda, 2003). Before processing the data, the interview guide was checked for completeness and consistency. This ensured the interview guide was completed as required (Nachmias, 1996). The data was then cross-tabulated. After tabulation, the data was then coded to facilitate statistical analysis. The SPSS (Statistical package for social sciences) was used to analyze the data. Data was presented through narratives.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter outlines the analysis of the data obtained and the finding of the study. It analyses the data in line with the research objective which is identification of strategic responses of Barclays Bank of Kenya Limited to competition. To achieve the objective of the study, the interview guide was broken down into two sections; general information and specific information. General information sought to find information on the interviewee and the bank's general information while the specific information sought to find data on the strategies employed by the bank so as to stem competition.

4.2 Response Rate

The study targeted ten interviewees who are the CEO of Barclays bank of Kenya and other nine Heads of Functions in the same bank. This was aimed at eliminating duplicity of data obtained had more interviewees been contacted. The response rate was 100% since all of the ten interviewees responded satisfactorily to the interview and the data obtained was analyzed as shown below.

4.3 General Information

From the interview conducted, apart form the CEO of the company, the other interviewees consisted of heads of product development and marketing, customer service, information technology, human resource management, finance, operations, retail banking, corporate banking and procurement services.

Seven of the interviewees had been in their department for more than five years and three of them for less than 5 years. Averagely, there are twenty employees in a single department save for retail and corporate banking where there are 200 and 100 employees respectively.

4.4 Specific Information

Data obtained from the interview found that Barclays bank of Kenya's has a mission and a vision which is to the best retail and commercial bank for every customer, market ,product and time and is formulated at the corporate level by the company's principals while in the country amended to suite the Kenyan context by the board of directors. The study found that Barclays bank's mission and vision is reviewed on a five years basis to avoid interruption of the company's normal operations and minor amendments are done on annual basis by the board of directors.

The study also sought to find out the factors that cause the alteration of the company's mission and vision. According to the data obtained from the interview, economical changes were found to have caused the alteration of the company's mission and vision to a very great extent. Other factors that caused the alteration of the company's mission and vision were competitors' actions, management policies, physical environmental changes and social cultural factors.

From the interview, the researcher found that Barclays bank adopted some strategies so as to remain competitive in the market. These strategies were; offering a wide range of products and services, engaging highly skilled staff and training them so as to cope up with the rapidly changing technology, automation of business processes such as ATMs (Automated Teller Machines) and SMS (Short Messaging System) banking, use of publicity, outsourcing support. advertisements and also reducing operating staff.

In the process of implementing competitive strategies at Barclays bank, the study found that there were some challenges faced. These challenges included: technology which was the biggest challenge. Other challenges included; high cost of maintaining quality service, increased number of competitors, constant changes in customer needs, attracting large number of customers, huge financial requirements, unpredictable government policies, imitation from other companies and rapid changes in interest rates. From the study, all the respondents felt that adoption of competitive strategies was of value to the firm since it is the benchmark upon which the company's operations are done and without it the company has no future.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of the Findings

This chapter presents the summary, conclusions and the recommendations from the findings. The study was based on the objectives of the study which was to identify the strategic responses of Barclays bank of Kenya to competition. From the study, the researcher found that Barclays bank had a formal documented mission and vision which was reviewed after every five years. According to the study, the factors that caused the alteration of the company's mission and vision were economic changes, competitors' actions, management policies, physical environmental changes and cultural factors.

In order to remain competitive in the market. Barclays bank adopted some strategies which included offering wide range of products and services, engaging highly skilled staff, automation of business processes, use of publicity, outsourcing support, advertisements and also reducing operating staff. The challenges faced by Barclays Bank in the process of implementing these competitive strategies were inadequate technology, high cost of maintaining quality service, increased number of competitors, constant changes in customer needs, attracting a large number of customers, huge financial requirements, unpredictable government policies, imitation from other companies and rapid changes in interest rates. The study further found that adoption of competitive strategies was of value to the firm since it is the benchmark upon which the company's operations are done and without it the company has no future.

5.2 Conclusions

From the study, the researcher concluded for Barclays bank of Kenya to remain competitive in the market, it adopted some strategies which were offering wide range of products and services, engaging highly skilled staff, automation of business processes, use of publicity, outsourcing support, advertisements and also reducing operating staff despite the challenges being faced.

5.3 Recommendations

The study further recommended that for Barclays bank of Kenya to successfully respond to the competition in the market, it should train its staff on the latest technology, so that they can be able to change with the changes in technology. The study also concluded that the company should reduce its operating staff as much as possible so as to avoid unnecessary salaries. The company should also be able to imitate a core competent strategy by a competing firm in order to remain competitive.

It was also recommended that top management should also support the implementation of strategies in the company, discuss the measure of performance critically and also improve it in order to remain competitive in the market. The bank should also be able to adapt to technology quickly so as to remain competitive in the turbulent banking environment.

REFERENCES

Abernathy, W. J. and R. H. Hayes, "Managing Our Way to Economic Decline," Harvard Business Review (July–August 1980): 67–77.

Ansoff, I., Strategies for Diversification, Harvard Business Review, Vol. 35 Issue 5, Sep-Oct 1957, pp.113-124.

Barnard, C.I. (1938). The Function of Executives, Harvard University Press, Cambridge; MA.

Bett, S.K. (1989). Strategic Marketing of Dairy Cows in Kenya. Unpublished MBA Project, University of Nairobi.

Bourgeo, L.J. (1980). Strategy and the Environment: A Conceptual Integration," Academy of Management Review Vol.5, pp.25–39.

Bruce D. Henderson, (1980). "The Origin of Strategy," Harvard Business Review (November–December 1989): 139–143.

Buzzell, R.D., and B.T. Gale. (1987). The PIMS Principles New York: Free Press.

Clayton, C. (1997) .The Innovator's Dilemma Boston: Harvard Business School Press.

Cohen, W.M and Leventhal, D.A. (1990). Absorptive Capacity: A New Perspective on Learning and Innovation, Administrative Science, Quarterly, Pp.128-152.

Collis, D.J. and C. Montgomery, "Competing on Resources: Strategy in the 1990s" Harvard Business Review (July-August 1995): 119-128.

Cooper. R.D and Emory, C.W. (1995). Business Research Methods, 5th edition, Irwin, Boston.

Frank F. G. (1970). Formulation and Advocacy of Business Policy, Ithaca, NY: Cornell University Press.

Gary Hamel and C. K. Prahalad, "Strategy as Stretch and Leverage," Harvard Business Review (March–April 1993): 75–84.

Grant, R.M. (2000). "The Resource-based Theory of Competitive Advantage: Implications for Strategy Formulation".

Hamel, G., and C. K. Prahalad., Strategic Intent, Harvard Business Review (May–June 1989):63–77.

Harrigan, K.R. (1985). Strategies for Joint Ventures, Lexington Books, Lexington-MA.

Henry, M. (1978)."Patterns of Strategy Formulation," Management Science Vol. 24: 934–948.

Hunger and J.D.,Wheelen T.L.(1996).Strategic Management, Addison Wesley Publishing Company,Inc,5th Edition.

Igor Ansoff, (1985). Corporate Strategy London: Penguin Books.

Kandie P, (2004). A Study of the Strategic Responses by Telkom Kenya Ltd in a Competitive Environment. Unpublished MBA Project, University of Nairobi.

Karanja P.W. (2002). Competitive Strategies for Real Estates: The Perspective of Porters Generic Model. Unpublished MBA Project, University of Nairobi.

Kingori Choto, (2008) . Looming Bank War .Financial Post, Issue No. 192, pp 9-16.

Kitoto, L.A. (2005) .Competitive Strategies Adopted by Universities in Kenya. Unpublished MBA Project, University of Nairobi.

Kombo, H.K.(1997). Strategic responses by firms facing changed environmental conditions – a study of motor vehicle franchise holders in Kenya. Unpublished MBA Project, University of Nairobi.

Lamb, Robert, Boyden Competitive strategic management, Englewood Cliffs, NJ: Prentice-Hall, 1984.

Lengopito F.D. (2004). Strategic responses to increased competition in the healthcare industry. The case of private insurance sector. Unpublished MBA Project, University of Nairobi.

Millar, D. (1992). "The Generic Strategy Trap", Journal of Business Strategy, No. 13, pp 37-41.

Murage M.S. (2001) .Competitive Strategies Adopted by Members of KIPPA. Unpublished MBA Project, University of Nairobi.

Ngeera, N. (2003). Competitive Strategies Applied by the Retail Sector of Pharmaceutical Industry in Nairobi. Unpublished MBA Project, University of Nairobi.

Nigel Campbell, (1986). "Lanchester Market Structures: A Japanese Approach to the Analysis of Business Competition," Strategic Management Journal Vol. 7 Pp. 34-37.

Owiye, P.O. (1999). Why Kenyan Firms are Failing to Compete Effectively Within the Liberalized Trading Environment in Kenya: The Case of Government Owned Sugar Firms. Unpublished MBA Project, University of Nairobi.

Parasulaman, A. (1986). Marketing Research, Canada, Addison-Wesley Publishing Co.

Pearce, J.A and Robinson, J.B. (2003) .Strategic Management: Formulation, Implementation and Control, 3rd edition, Richard D. Irwin.

Porter, M.E. (1996). What is Strategy? Harvard Business Review (November-December 1996): 64.

Porter, M.E. (1998). Competitive Strategy, New York: Free Press.

Schollei, W. (1999). An Investigation into the Nature of Factors Influencing Collaborative Practices in the Kenya's Media Industry. Unpublished MBA Project, University of Nairobi.

Shushil, V., (1990) . Strategic Responses of Multinational to Competition for Developing College Firms, International Marketing Review, V01. 32, Pp.23.

Simon, H.A., (1957) .Administrative Behaviour. McMillan, New York.

Thompson, P., Strickland, S. and Grant, R.M. (2007). Crafting and Executing Strategy: Text and Readings, 15h edition, McGraw Hill Companies, New York.

Treacy, M., and Wiersema, F. (1993). "Customer intimacy and other value disciplines". Harvard Business Review, Jan/Feb.

Trigeorgis, L. (2001). Real Options and Investment under Uncertainty: Classical Readings and Recent Contributions Cambridge: MIT Press.

APPENDIX

Appendix I: Interview Guide

Section A: General information

1. Department/ Section that you are Based……………………………..
2. Position held in the organization ………………………………………
3. How long have you been in the department? ……………………..
4. How many employees are there in your department? ……………..

Section B: specific information

7. (i) Does your organization have a formal documented mission and vision statements?

Yes ( )

No ( )

(ii) If Yes in 7(i) above, please indicate those that were involved in the formulation of the company's mission and vision.

……………………………………………………………………………………………

……………………………………………………………………………………………

……………………………………………………………………………………………

8. How often are the missions and vision statements reviewed?

....

9. Please indicate the factors that cause the alteration of the company's mission and vision?

....

....

....

....

....

10. What are the strategies that are adopted by your organization to remain competitive in the market?

....

....

....

....

....

....

....

....

11. What are the challenges you face when implementing competitive strategies?

....

....

....

....

....

....

12. In your own opinion, is adoption of competitive strategies of any value to the firm?

Yes ( )

No ( )

Thank you for your responses