STRATEGIC RESPONSES BY KENYA POST OFFICE SAVINGS BANK TO CHANGES IN THE ENVIRONMENT

BY

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DECLARATION

This research is my original work and has not been submitted for a degree at any other university.

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

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I first and foremost wish to thank the Almighty God for giving me strength, grace, mercy, and blessings which has seen me through this MBA program.

I appreciate and acknowledge the commitment, encouragement and support of my supervisor; Prof Evans Aosa. His profound knowledge, skill and guidance was indeed invaluable.

My heartfelt gratitude goes to all my colleagues, classmates and friends, who in their special ways, have made this study a success.

I owe it all to my respondents from KPOSB who sacrificed the time for the interviews despite their busy schedules. Thank you and may God’s good tidings be with you always.
DEDICATION

This research study is dedicated to my parents Phillip and Judith Onyango and my son Ryan Hawi who inspired and provided moral support throughout the MBA program.
ABSTRACT

Over the last ten years, the Kenyan economy has experienced a lot of environmental changes. These changes have had an impact on all industries within the country. Organizations have had to find ways to cope with this changes. The financial sector has not been spared from the impact of this changes either. The objective of the research study therefore was to identify the strategic responses by KPOSB to changes in the external environment. In order to meet this objective a case study was conducted using primary and secondary data. The primary data was obtained from face to face interviews with the respondents who are responsible for developing the strategic responses and overseeing the implementation of the same. Secondary data was collected from various sources such as records and reports. The data was then analysed qualitatively. The study established that the changes in the external environment has posed major challenges to KPOSB. These challenges arose from the changes in the businesses environment in terms of economic decline, liberalization, legislative changes, increase in level of education and technological advancements. According to the research findings, KPOSB has addressed these challenges through restructuring, marketing, information technology, culture change and improvement in service delivery systems. These have made KPOSB more competitive but have not fully enabled the bank adequately match its environment.

The study recommends that the bank should continue being more pro-active to ensure they keep up with the changing external environment. Hasten the repealing of the act that restricts the bank from offering credit to its customers, introduce more innovative products to cater for the un-banked population and increase media presence to achieve awareness of its products and services. The case study focused on KPOSB and may therefore not relate to the strategic responses undertaken by all financial institutions in the country to the challenges in the environment as most of the products and services offered are different and customized to competitively meet with customers preferences. A cross sectional survey covering the whole financial industry can further be undertaken to determine the strategic responses made by financial institutions especially with the increasing growth, number and size of the non-bank financial institutions. These then will allow for industrial generalization to be made.
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<tr>
<th>Abbreviation</th>
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<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
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<tr>
<td>ETP</td>
<td>Electronic Transacting Platform</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>KPOSB</td>
<td>Kenya Post Office Savings Bank</td>
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<td>MBA</td>
<td>Masters In Business Administration</td>
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<td>MFI</td>
<td>Micro Finance Institution</td>
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<td>NBM</td>
<td>New Business Model</td>
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<td>POS</td>
<td>Point of Sale</td>
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<td>SACCO</td>
<td>Savings and Credit Co-operative Society</td>
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CHAPTER ONE: INTRODUCTION

1.1 Background to the study

Since early 1990s, Kenya has been operating in an environment characterized by drastic changes. The changes include privatization and commercialization in the public sector, rapid technological changes, increased competition, introduction of multiparty politics and clamour for constitutional reforms, these changes call for re-configuration of the value chain to reflect the external realities. Failure to do this Aosa (1998) warns, may jeopardize future success of those organizations.

Pearce and Robinson (1997) state that in order for organizations to achieve their goals and objectives it is necessary for them to adjust to their environment. The dynamism of the environment implies that organizations have to constantly redesign their strategies in order to remain competitive. Failure to effectively adapt the organization to its environment according to Ansoff and McDonnell (1990) leads to a strategic problem. Such a problem will be evidenced by a mismatch between what organizations offers and what the market demands.

1.1.1 Organizations and Environment

Organizations exist within a dynamic environment that is subject to competition due to the impact of various changes that trigger both internal and external environment such as, evolving technologies, changing customer needs, changing political and economic environment for instance rise in inflation rate, population growth and competition (Sababu, 2007).

As a contribution towards understanding the organization’s environment (Scott, 1998) argued that the environment can be classified either by the levels at which it is composed or by the nature of the relationships linking the organization with it’s environment. The levels of analysis are: organization sets, organization populations, organization communities and organization fields (Scott, 1998). With regard to the nature of the relationships the emphasis is placed on the relationship between the...
organization and the environment and this relationship can be explained by technical or institutional issues (Scott, 1998).

The relationships between an organization and its environment is characterized by a two flow of information and energy. Most organizations attempt to influence their environment. Advertising campaigns and lobbying efforts are two examples. Some theorists believe that ‘environments are largely invented by organizations themselves. Organizations select their environments from ranges of alternatives, then they subjectively perceive the environments they inhabit’.

Strategic management centers on the belief that a firm’s mission can be achieved through a systematic and comprehensive assessment of both internal capabilities and its external environment. Environment presents firms with opportunity, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence. A host of external factors influence a firm’s choice of direction and action and ultimately its organization structure and internal processes. (Pearce and Robinson, 2000).

Ansoff and McDonnell (1990) state that successful environment serving organizations are open systems and use strategies that ensure continued organizational survival in the environment. They further state that a major escalation of environmental turbulence means a change from a familiar world of marketing and production to unfamiliar world of new technologies, new competitor, new consumers attitudes, new dimension of social control and above all unprecedented questioning of firms role in the society.

Aosa (1998) argues that strategy is creating a fit between the external characteristics and internal conditions of an organization to solve a strategic problem, which is a mismatch between the internal characteristic of an organization and its external environment. Consequently, organizations need to not only notice changes in their external environment, but also need to formulate strategies that match these changes. Failure to do so will result in a strategic problem, which is detrimental to the survival of the organization.
It is imperative that managers apply critical investigations into the realities of the changing environment of this millennium through enlightened diagnosis of the problem it poses. Political, environmental, social and technical factors for example can influence the lifestyle and health of the people. This same environment should also be seen as a system that calls for profound understanding in order to improve decision making and recognize the links between the past, present and future and also between local and global matters. This necessitates that strategic managers view the environment in its context and perspective in order to understand the concept of strategic management (Ansoff and McDonnell, 1990).

1.1.2 Strategic Responses

Strategic responses are the set of decisions and actions in the formulation and implementation of plans designed to achieve firm’s objective (Pearce and Robinson, 1991). Strategic responses are part of competitive strategies that the organizations develop in defining goals and policies. They are reactions to what is happening in the environment of the organization. Ansoff (1999) discusses the role of general management into organization strategic responses. He states that for an organization to implement a strategic response three components are essential.

These are the right climate (will to respond), competence (ability to respond) and capacity (volume of responses). The general management should therefore ensure that the organization engage in behavior which will optimize the attainment of the organizations long term objectives. Climate settings determine the organization culture and involves mentality and power positions of the managers. Competence determines the organization structures, systems and shared knowledge. Capacity to accommodate various management challenges that may arise over time.

Mintzberg (2003) explained why it is necessary for an organization to constantly adapt their strategies to changing environment. The environment continues to change sometimes slowly occasionally in dramatic shifts thus gradually or suddenly the organizations strategy moves out of sync with the environment. Mintzberg and Quinn
(1996) points out that change in the environment of business necessitates continuous monitoring of the company's definition of its business lest it falter, blur or become obsolete. Pearce and Robinson (2000) says that there is need to adopt new strategies that match the challenges from the environment. Re-engineering, downsizing, self management and outsourcing are some of the dominant strategies that have been used for restructuring in the 1990's.

Ansoff and McDonnell (1990) asserts that the management system used by a firm is a determining component of the firm's responsiveness to environment changes because it determines the way that management perceives the environment, diagnosis their impact on the firm, decides what to do and implements the decisions. Failure to adopt the organizations to its environment according to Ansoff and McDonnell (1990) leads to a strategic problem, such a problem will be evidenced by a mismatch between what the organization offers and what the market demands.

1.1.3 Financial Sector in Kenya
Kenya's financial system, one of Sub-Saharan Africa's most developed, remains vulnerable to considerable government influence and weaknesses in the supervisory regime. The major elements of a well-developed financial system are in place but the financial sector has been unable to reach its full potential in supporting the allocation of economic resources across the economy. The five largest banks, including two majority state-owned banks and two foreign banks, control over 50 percent of assets. The government also owns or holds shares in several other domestic financial institutions and influences the allocation of credit.(Kenya financial sector,2010)

The performance of the financial sector in 2008 was sound despite the global crisis. Liquid assets as a proportion of total deposit liabilities were over 40 percent, well above the statutory minimum requirement of 20 percent, largely due to a large increase in deposits from the proceeds of an IPO by a mobile communications company and aggressive marketing by some financial institutions. However, gains in reducing non-
performing loans were adversely affected by the impact of the post-election violence on businesses and households.

The Nairobi Stock Exchange (NSE) has about 50 listed firms cutting across the financial, industrial, service and agricultural sectors. The market also has active primary and secondary counters for corporate and government bonds. The insurance market is overpopulated, highly segmented and has a limited core of companies with adequate retention capacity and underwriting policies. The 2006 Insurance Amendment Act led to the establishment of an Independent Insurance Regulatory Authority in April 2008, which is expected to improve insurance penetration. Central bank of Kenya (2009)

A variety of financial institutions, including microfinance institutions (MFLs) and the Kenya Post Office Savings Bank, offer deposit and lending services to those segments of the Kenyan population that are underserved by commercial banks, but a clear strategy for developing formal and informal institutions is yet to be formulated. The microfinance industry is, however, growing and is expected to play a pivotal role in deepening financial markets and enhancing access to financial services and products, particularly in rural areas.

A Microfinance Act was passed in 2008 to regulate MFLs through licensing and supervision. Kenya is a world leader in mobile banking. Its landmark M-Pesa platform, a service offered through a partnership between Safaricom and Vodafone, allows a range of money transfer, cash-flow management and banking options through mobile phones. Central bank of Kenya (2009)

1.1.4 Kenya Post Office Savings Bank

Kenya Post Office Savings Bank is one of the key government institutions that mobilizes savings and provides payment services to millions of Kenyans through affordable products and services. The bank was established through an act of Parliament (KPOSB Act Cap.493/B laws of Kenya) and is one of the oldest banks that has contributed significantly to the economic and social development of Kenya.
The bank offers a suite of over 24 savings, investment, transactional and money transfer services (Western Union, Moneygram, M-Pesa, and Postbank X-press) catering for all segments of the market in the country. From a relatively small institution in 1910 Postbank has grown and developed to be a modern and dynamic financial institution today providing access to savings and remittance services to millions of Kenyans. Postbank has empowered many Kenyans to build local capital and create businesses using their own savings and thus enhancing financial services to the low income and unbanked Kenyans.(www.postbank.co.ke,2011)

The bank has also taken strategic steps to brave this testing times. Transformation process is taking place in Postbank through automation and deployment of appropriate technology that has resulted in paperless banking and in a leaner and more efficient organization that is collaborating with such international partners like the World Savings Bank Institute & Bill & Melinda Gates Foundation on agency banking model among other initiatives.

Postbank is now able to expand the frontiers of savings services, particularly in the rural areas where many Kenyans still have little or no access to financial services. Moving forward Postbank needs to strategically position itself to be among the key players in mobilizing the investible resources to achieve the objectives under the vision 2030.(Corporate Strategic Plan 2010 – 2015).

With the liberalization of the financial sector the unfolding competitive environment necessitates existing commercial and financial sectors to change tact in order to remain competitive. The recent changes in the Kenyan economy has posed a serious threat to Postbank which has affected its profitability and market share since the commercial banks and financial institutions are now competing for the same low end customers as Kenya Post Office Savings Bank.
1.1 Research Problem

Organizations are environment serving and thus have to align themselves well so as to cope with the ever changing business environment. This will involve the assessment of a firm's internal capability and how well it is equipped to adapt and survive in the industry they operate. The analysis of a firm's strategy involves the interaction between the strategic choice and its environmental context. The environment in which organizations operate is constantly changing with different factors influencing the organizations.

Since the turn of the millennium, the general business has become more volatile, unpredictable and very competitive. With the increasing competition that companies are facing today rewards will accrue to those who can read precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers with the view that as the operating environment changes, a more pronounced transformation of the business landscape lies ahead (Ansoff, 1990). Since the bank exists in an environment has undergone a lot of changes in the last decade and being a purely savings bank it is not clear whether it has responded adequately to the changes in the environment.

Related studies have been carried out regarding responses to the changing environment in Kenya. Such studies include Adoyo (2005) did a study on Kenya Post Office Savings Bank focusing on the changes in the external environment and concluded that changes that have affected the bank include governance and regulation, culture, organizational structure, service delivery systems, investment, technology development, product diversification and strategic management.

Musa (2004) did a study on National Bank and found out that challenges arose from business environment in terms of economic decline, liberalization, legislative changes, increased levels of education and technological advancement. Kiptugen (2003) did a study on KCB and concluded that KCB has responded through restructuring.
marketing, technology and culture change. She noted that banks in Kenya have experienced environmental changes such as economic decline, legislative changes, increased levels of education and technological advancement.

It is clear that organizations have to respond to the external environment to remain relevant and successful. Since Kenya Post Office Savings Bank exists in the external environment the research will seek to find out whether the response has been appropriate to enable it remain relevant in the competitive market. On the basis of extensive review this study will seek to answer the following question: What are the strategic responses KPOSB has adopted to the changes in the external environment?

1.2 Research Objectives
The main objective of the study was:

i) To establish the strategic responses that Kenya Post Office Savings Bank has adopted to changes in the environment.

1.3 Value of the Study
This study will be important to the Shareholders and Management team of the bank because it will assist in formulating sound policies that will ensure business continuity in Kenya Post Office Savings Bank. It will also help Managers in identifying factors from the environment that affect their business and responses to be adopted to enhance performance. The results of the study will be important for the government when formulating policies governing the bank as they will understand how the environment has affected the Bank and what amendments can be initiated in the act to enable the bank be competitive in the market.

Further the study will be important to the researchers and scholars, as a basis of discussion on responsive strategies adopted by the bank and as a basis for further research in similar or other related topics.
CHAPTER TWO: LITERATUTURE REVIEW

2.1 Introduction
The review presents the related literature on the subject under study done by other researchers, scholars, analysts and authors. The literature is drawn from several sources which are closely related to the theme and the objectives of the study.

2.2 Concept of the study
Strategic management and external environment of the organization are paramount for the success of the organizations. These issues influence the responses made by such organizations in managing the environments which they operate. Having a strategy enables you to ensure the day to day decisions fit in with the long term interest of an organization. Without strategy decisions made today would have a negative impact on the future results (Bruce and Longdon, 2000).

Pearce and Robinson (1991) assert that the organization has to respond to the turbulence by crafting new strategies that define as a large-scale, future-oriented plans by interacting with the environment. The study of management therefore emphasizes on monitoring and evaluation of external opportunities and threats in the light of the corporation’s strengths and weaknesses. The statement emphasizes that the environment is constantly changing and so it is imperative that the organization should constantly adapt activities to reflect the new environmental requirements.

Chandler (1962) defined strategy as “the establishment of the long term goals and objectives of an organization, including the taking of actions and allocations of resources for achieving these goals”. Johnson and Scholes (1997) state that “strategy is a long term direction and scope of an organization that facilitates the achievement of an advantage for the organization through the mode of arrangement of resources within a changing environment. This could enable the organization meet the needs of markets and fulfill stakeholder expectations”. Thus strategy is viewed as matching of the activities of an organization to the environment in which it operates.
Hamel (2000) argues that the best strategy is geared towards radical change and creating a new vision of the future in which you are a leader rather than a follower of trend set by others. It's all about winning. He further states that its about winning strategy = foresight + vision. Strategy therefore is concerned with the survival of the organization in the long term in the face of changing environment conditions and situation. It is in essence the tool for guiding the organization forward and providing a framework through which it will operate. According to Vels (1999) trade liberalization has led to stiff competition in many sectors of the economy and has resulted to firms changing their activities in order to survive. In an environment that is dynamic, the firm finds it necessary not only to be focused but also to be flexible and adaptive.

Failure to respond to changes in the environment may lead to organizational decline or obsolescent. Strategy implementation has to be supported by resources and competencies of the organization. This make up the strategic capability. Just as there are outside influences on the organization and its choice of strategies so there are internal influences. These comprise of the organizations strengths and weaknesses. Managers must therefore be aware of environmental forces and environmental change and must manage the organizations resources to take advantage of opportunities and counter threats.

2.3 Strategic Management

Pearce and Robinson (1997) define strategic management as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objective. It involves planning, directing, controlling the strategic decisions and actions of the business.

Cole (1997) states that strategic management is the process directed by top management but engaged in through out the organization, including the involvement of those concerned with satisfying customers legitimate needs. It ensures the attainment of those fundamental aims /goals through the adoption of adequate decision making mechanisms, and the provision of adequate resources for the planned direction for the
organization over a given period. Strategic management involves strategic analysis, strategic choice, strategic implementation and strategic evaluation and control (Johnson and schools, 1999).

Strategic analysis is concerned with understanding the strategic position of the organization in terms of its external environment, internal resources and competencies, and the expectations and influence of stakeholders (Johnson and Scholes, 1999). At this stage the mission and the vision of the organization are stated and the goals are set and objectives defined. Strategic choice involves understanding the underlying bases guiding future strategy, generating strategic options for evaluation and selecting from among them (Pearce and Robinson, 1997).

Here an organization is striving to achieve sustainable competitive advantage and therefore chooses a strategy that will help it succeed towards the goal. The choice of strategy is crucial for it could make an organization either to succeed or fail and its consequences are long term and costly to reverse. Strategic implementation entails translation of strategy into organization’s actions through organization structure and design, resource planning and management of strategic change (Johnson and Scholes, 1999).

In implementing strategy, the strategist must of necessity effect change in order to accommodate the new strategy, which is based upon the demands of the external environment. Strategic evaluation and control involves not only evaluating strategy for deviation from intended course, but also for flexibility towards responding to new challenges and determining the effectiveness and the pace of the implementation (Johnson and Scholes, 1999).

Organizational change should be a continuous thing as new ideas keep coming up. Strategy therefore must be flexible enough to accommodate these developments particularly the impact of the external environment and be in tune with the environment (Johnson and Scholes, 1999).
2.4 External Environment and Organization

Thompson (1997) sees the external environment as consisting of three aspects. These are the external stakeholders; the changing political, economic, social, and technological forces and organization’s response to the environmental forces. The external environment comprises of the remote environment, the industry and the operating environment, each of which has a global and domestic aspect.

According to Porter (1985), change is inevitable in the history of any organization. Organizations exist in an environment they are environment dependent. They look to the environment for resource inputs. Once inputs are transformed into outputs (products and services), these are again absorbed by the environment. The organizations have to adapt their internal operations to reflect the external realities to remain relevant.

Economic variables affect organizations in every part of their activities. Organizations should look at the relationship between its activities and key economic variables which include: inflation and deflation and their effects, the economic policy of the country they are operating in, the taxation policy on profits, employees and goods sold, the stage of the trade cycle and the economic mood of the country affecting its investments (Sababu, 2007).

The activities of the state through its legislature and how enforcement agencies impinge considerably on the organizations; businesses, public bodies, and charities are all affected by government fiscal and economic policies, and all have to operate within the law of the land (Cole, 1997). According to (Sababu, 2007) the government is a large supplier of fiscal and trade benefits and at the same time a large customer and can therefore affect the running of businesses. It can also protect local business entities from foreign competition by enacting competition legislations.

Human attributes such as age, gender, family life, Life cycle experience, income, education, occupation, religion, ethnic groups and nationality guide organizations in
selecting the kind of products and services that should be offered to a particular population. For instance banks have developed products that are favourable to the muslim community, students, children, women, youth, low and high income earners. (Sababu 2007). Rapid development in technology has exerted a powerful influence on organizations today. Most organizations have developed information and communication technology to ensure its operations are efficient. Firms should promote innovations to avoid becoming irrelevant in the environment (Cole, 1997).

According to Pearce and Robinson (1991), social cultural variables which affect an organization involve beliefs, values, attitudes, opinions activities and lifestyles of persons in the organizations external environment as developed from cultural, ecological, demographic, religious, educational and ethical conditions. These factors tend to change and dictate an individual wants and needs. Changes in these variable shape the way people live, work, produce and consume commodities and therefore an organization must aim at providing services or products that will meet these needs.

Ecological factors which refers to relationship between human beings, living things and their physical surroundings also affect the organization and industry to which they operate. The interaction of the two has a bearing on the organization as it can result to air, water or solid waste pollution. Business should work at eliminating the pollutants and efficiently and effectively manage their surroundings (Sababu, 2007).

Infrastructure available for business to operate efficiently, climatic factors and typographic surrounding the area which the business is located and operating from is also important. Poor infrastructure may result to high costs in the business operations which trickle down to the consumer. Location and positioning of the organization is therefore key in ensuring that it operates cost effectively at the same time remains competitive.

Sababu (2007) lists the key industry variables of organizations as competitors, suppliers, creditors and customers. Every organization should analyse the competitive
forces in the industry. An organization should deploy resources so that it can make profit level in excess of what is normal in the industry.

Most suppliers in the industry also determine organization operation since organizations rely on their suppliers for provision of raw materials, merchandise, services, finance, long term assets, water, power and telephone facilities to enable it to function. A supplier is said to be powerful if his products are unique and differentiated, attracting a large clientele in the industry (Sababu, 2007). Customers are the most vital in any organization, successful organizations continually monitor present and potential customers buying patterns to ensure that existing customers remain loyal to them and at the same time they attract new customers.

2.5 Strategic Responses

Ansoff and McDonell (1990) note that strategic responses involve changes to the organization behavior. Such responses may take forms depending in the organization capability and the environment in which it operates. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. The results of strategic activity are new products, new services, new processes, new markets, abandoned markets and responses to the social and political challenges. The overall responsibility for the effective responses belongs to the general management of the firm.

The strategic response a firm takes is important because it deals with the major fundamental issues that affect the future of the organization. Rapidly changing external business contexts are increasing the need for disciplined and at the same time more adaptive context specific strategic management. The ultimate objective of strategic change is to create an organization context that can on a continuing basis translate into actions which result in improved operations and profitability when operating over a period of time in a rapidly changing external industry and competitive market.
According to Pearce & Robinson (1991), market development consists of marketing present products, often with only cosmetic modifications to customers in related market areas by adding channels of distribution or by changing the content of advertising or promotion. Market development works at expanding the market geographically and targeting new market segments by opening up more branches or widening their distribution links so that their products or services are accessible to all potential customers.

According to Hax and Majluf (1996) technology is currently considered to be one of the central functions for achieving competitive advantage as we are living through a period of fast-paced technological transformation. Hax & Majluf further state that the technology intelligence is a must in order to gather information on the dynamics of technological markets. Organizations should therefore adopt current information, communication, and technological methods which ensure they remain competitive and obsolescence is not experienced. Information and communication technology helps to increase efficiency and effectiveness in the company’s operations.

Sababu (2007), states that if well managed an organization should have well-defined personnel policies, procedures, and requirements in personnel function management areas of staff procurement, development, compensation, integration maintenance, consultancy, and separation. Organizations should thus work at acquiring quality manpower as it is one of the organization resources that cannot be duplicated easily. Pearce and Robinson (1991) identify that employees value growth and career opportunities and providing this kind of opportunities increases productivity and decreases turnover. Staff quality should thus be enhanced by ensuring that employees are continuously trained to match up with changing times and also remain motivated.

Innovation is also used by companies to ensure they remain competitive. According to Pearce and Robinson (1991) both the consumer and industrial markets have come to expect periodic changes and improvements in the products offered. In this the organization reaps the initial high profits associated with the customer acceptance of a
new or greatly improved product. The companies seek to create a new product life cycle and makes similar products obsolete. Improving products helps organizations to concentrate on particular segments of the market which are relatively strong thus acquiring new clientele and retaining existing ones.

Emphasis on promotion selling and advertising is highly encouraged when countering competition in any industry. In this higher budgets are allocated to promote the companies product through increased mass media advertising and direct sales. According to Barclays Globe (February 2007) the direct sales teams primary aim is find new customers, penetrate the markets, gain market share and enhance the current customer value proposition.

Change tariff rates is also a strategy used by organizations. In this most services are offered at reduced prices so as to target a particular segment of the market. Price decrease increases the demand for products and services. Porter (1980) indicates that when using a cost strategy the company should always aim at offering the cheapest products in the industry.

Mergers have also been undertaken by organizations to help them remain competitive in the industry. A merger takes place when two organizations combine their operations to form a third organization (Sababu, 2007)
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
Since the aims of the research are to identify the challenges that face KPOSB and to document the relevant strategic responses made, a case study approach was chosen. The pertinent primary and secondary data was collected to meet the objectives to the study.

3.2 Research design
The research problem was conducted through a case study design. This method gave an in-depth and comprehensive inquiry to determine how environmental factors have contributed to the development of the bank’s response strategy. The case study provides very focused and valuable insight to the phenomena that may be vaguely known or understood. This therefore provides an in-depth understanding of KPOSB who are competing in the same market with both commercial and financial institutions and yet is limited by its mandate hat does not allow it to offer credit to customers.

A case study approach involves a careful and complete observation of social unit – a person, institution, family, cultural group, or entire community and emphasizes depth rather then the breadth of the study (Kothari, 1990). The advantages of using case study include enabling an in-depth understanding of the behavior pattern of the concerned unit which is not possible with different methods and possibilities of obtaining the inside facts from the experienced employees. In addition the case study method enriches generalized knowledge and makes it possible for the researcher to use one or more methods depending upon the prevalent circumstances for example in-depth interviews and questionnaires.

3.3 Data Collection
Secondary data was collected from the existing records and reports of Kenya Post Office Savings Bank. The research was carried out in Head Office of Kenya Post Office Savings Bank based in Nairobi where the target respondents are located. The researcher interviewed the senior management of the relevant departments who comprised of
Strategic Planning, Marketing, Product Development and Innovation, Corporate Communications, Information Technology, Restructuring and change, Human Resource and Finance who are experienced in their specific functional areas and gave the relevant information pertaining to the bank and its environment.

An interview guide was used and was divided into three sections. Section A covered the respondents profile, section B covered the changes KPOSB has experienced in the external environment, section C covered the strategic responses. The interview guide was presented through a face to face interview to ensure that the required information was obtained as per the research objectives.

3.4 Data Analysis

The data analysed sought to establish the strategic responses applied by KPOSB to her changing environment. The data was analysed using content analysis. According to (Mugenda & Mugenda 1999) content analysis is the systematic qualitative description of the composition of the objects or materials of the study. In other words, it involves observation and detailed description of objects, items or things that comprise the study.

The information gathered was analysed using the same technique which involves logical groupings of the information gathered to enable the researcher apply qualitative analysis, compiling results and interpretations. This type of analysis has been used in similar studies in the past including Bett(1995), Kombo (1997), Njau(1999), and Kandie (2001).
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

The data has been analysed and interpreted in line with the aims of the study. The chapter outlines the respondents profiles, challenges facing Kenya Post office Savings Bank, strategic responses by the bank and strategic fit.

4.2 The Respondents Profiles

The respondents of this case form part of the management team of KPOSB and have been involved in the formulation of strategic responses that were being studied which are restructuring, information technology, marketing, culture changes and service delivery systems. The team is also charged with the responsibility of overseeing the implementation of these responses.

Most of the respondents have held senior positions at the bank for over five years, the rest were new entrants both from within and outside the banking industry. Thus, their contribution to the strategic responses of KPOSB to the changing environment is drawn from a broad reservoir of experience and knowledge that greatly assisted in providing insights to the study.

4.3 Challenges Facing KPOSB

All the respondents were in agreement that there have been a number of changes in the business environment in Kenya within the last ten years that have posed various challenges to KPOSB. The respondents identified five major macro-environmental changes that have occurred in the business environment in Kenya, which have made an impact to KPOSB. These are economic decline, liberalization, legislative changes, increasing level of education and technological advancements.

The economic recession and restrictive mandate has resulted in fewer business opportunities for KPOSB. Consequently the level of deposits has gone down considerably. This has resulted in worsening level of profitability. In addition the respondents stated that due to the economic decline in the country and restrictive
mandate the bank had to seek other opportunities for example considering the option of getting into strategic alliances to accomplish its intended objectives of provision of credit, issuance and clearance of cheques, growing the business via the agency model and alternative business channels. The respondents noted that Liberation of the economy has led to increase in the number of financial institutions, further more the enactment of Sacco’s and MFI’s to allow them to take deposits has resulted to KPOSB’s loss of previously guaranteed business. Such business now have to be won by competing effectively through efficiency and customer satisfaction. The increase in number of Sacco’s and MFI’s has also intensified competition facing KPOSB consequently there has been a reduction of income generated both from interest and commission charges.

Legislative changes have led to a reduction of interest margins at KPOSB especially with the emergence of Central Bank amendment Act section 16 A where banks are now not allowed to levy maintenance fees on savings accounts and liberation of the banking industry hence banks are now able to offer unsecured loans to consumers. In addition the big banks that previously targeted the high end market have now embarked on aggressively targeting the low end market which for many years had been KPOSB’s major stronghold and hence losing its market share.

The increasing level of education and awareness among Kenyans has led to the emergence of a more informed demanding clientele. KPOSB has had to undertake market segmentation and the development of variety of products to satisfy the constantly changing needs of the banks target markets. Hogendoorn (2000) advised Kenyan banks to be more innovative so as to be able to profitably interface the products on offer with appropriate delivery channels for their chosen market segments.

The technological explosion in the last decade has changed the operating environment in all spheres. This has resulted in the concepts of one-branch banks ,home banking as well as internet banking. KPOSB through creative use of technology has developed and implemented a new business model built on a card strategy with re-engineered
processes on the basis of which passbooks were faced out and all customers issued with ATM/debit cards and personal Identification pin numbers. In addition the bank has implemented an electronic transacting platform (ETP) and all its branches and agent locations have been equipped with in-branch point of sale (POS) terminals. Further the bank has facilitated access to the national automated teller machines (ATM) providers' networks namely Kenswitch and Pesapoint in addition to own ATMs.

However this technological innovations are not only expensive to adopt but also involve a rate of obsolescence. In addition they rely on telecommunication efficiency, which is yet to be realized in Kenya. There is increased use of information technology at KPOSB. The bank now uses computers in all aspects of their operations. It appears that the race for computerization is on and KPOSB does not want to be left behind. The ETP has provided the possibility of other banks and financial institutions to use POS terminals in Postbank branches and agent locations for deposit and withdrawal of cash.

Savers have been discouraged from keeping their hard earned cash in the bank where they cannot access loans this has led to a decreased growth in savings accounts as well as salary accounts. The banks Act Cap 493 B will need to be amended for the bank to offer credit to cater for the needs of customers who require funds to advance their businesses and initiatives and to enable the bank be more competitive in the market which has been an uphill task due to lack political will.

In the last decade KPOSB’s dominance in the money transfer services both locally and internationally has faced stiff competition from M-pesa due to the lucrative nature of the business, other players in the industry have also joined the Western Union Money Transfer and Money Gram hence reducing KPOSB’s market share by 40%. KPOSB has also faced competition in commission services, salary accounts, government pensions and students loan disbursement whereas other government related business has been declining due to increased competition.
4.4 Strategic Responses

KPOSB has responded viciously to the environmental changes that have influenced its competitive situation. Some of the strategic responses include: restructuring, marketing, cultural changes, information technology and service delivery systems.

4.4.1 Restructuring

Over the last five years, KPOSB has undertaken corporate restructuring, with the process taking a faster speed in the last three years. Both internal and external expertise have been involved in the restructuring process. The process has been mainly in the form of separation of banking services into retail and corporate to effectively meet the needs of respective market segments; redesign of jobs and relevant performance measures; process mapping and subsequent reduction of service procedures, voluntary early retirement (VERs) schemes, shorter reporting lines, disposal of non-core assets and businesses, outsourcing of non-core services such as printing, cleaning, tea services and transport, and merging of departments.

The bank increased its branch network and will appoint 500 agents by the end of 2011 to take services to the unbanked. It has employed sales teams on commission basis and implemented the open office plan as per the government directive in 2010. The decline of financial performance of the bank has intensified the need for better income generation and reduction of costs. In addition the bank's goal of becoming more customer focused necessitated the provision of faster and better services while maintaining a workforce that is not only efficient but is also lean. According to the respondents these forms of restructuring were chosen because they were considered appropriate for the attainment of the objectives of the bank.
There has been resistance to the process, both from within and outside the bank. The internal resistance arose from some of the staff who suffered from a sense of inadequacy to handle the newly applied tasks. The benefits of restructuring are long term in nature, yet the stakeholders would like to realize rewards from the exercise within a shorter term. This has created some disillusionment with the viability of the whole process. However, communication of the expected benefits has helped to cultivate some positive attitude from other stakeholders.

Resistance to restructuring has been managed through continuous provision of information related to the reasons for, and the bank's wide progress of the exercise. In addition, the employees were given an opportunity to freely air their views and suggestions to top management. Generally, the respondents felt that the objectives of the restructuring process have been met with some of the immediate benefits being staff rationalizing which reduced cost on salaried staff and generally reducing overhead cost of the bank.

4.4.2 Marketing

There have been strategic changes in marketing at KPOSB within the past five years. Market segments have been redefined and the marketing function re-organized to retail and corporate divisions. The former targets the mass market that comprises individuals as well as small and medium sized businesses. The corporate division serves the specialized needs of large business organizations with respective corporate relationship officers being assigned to handle all their banking requirements.

In a bid to ensure the provision of products and services that meet the changing needs of its customers, the bank has laid a lot of emphasis on product development and modification to respond to the ever changing needs of the customers and to improve its revenue base and productivity. The marketing product department is now constantly truncating market opportunities, for new and existing products. The bank in the last ten years has launched new products and services to satisfy and reach all levels of
customers in the market. They are products and services for the low end market, middle and high end market.

The bank is investing a lot on improving customer service. A lot of money is being set apart for the rebranding of branches, staff training and other activities whose objectives is to improve customer service and make Kenya Post Office Savings Bank a more customer focused and a customer oriented bank. The marketing strategies have included increasing marketing budget, increased media communication to increase awareness of banks products and services and positive perception of the banks corporate image. This has significantly increased the products and services awareness and hence business growth has been realized.

The challenges facing marketing are budgetary constraints hence limiting the sustainability of marketing campaigns, limited range of products and services that only serves those customers who desire to save. The constantly changing needs of the customers require that constant product innovation have to be made and to be offered ahead of the competition if Kenya Post Office Savings Bank is to enhance its competitive edge. Resistance to the marketing initiative has been minimized through continuous provision of information relating to benefits of such changes while highlighting the repercussion of failing to adopt the specified measures. In order to achieve its objectives of providing credit to its customers the bank has sought a strategic partner to enable its customers to obtain easy loans at an affordable price. Despite the above efforts most of the respondents felt that the bank is not doing enough marketing in electronic and social media and yet this is where the marketing trend is heading.

4.4.3 Information Technology

The Bank has developed and implemented a New Business Model [NBM] built on a Card Strategy with re-engineered processes on the basis of which Passbooks were to be phased out in the Bank and all customers issued with ATM/Debit cards and Personal Identification Numbers (PIN). Thus all access to a customer's account in the Bank's branches and Agent networks is made via the use of the Debit/ATM card and
by keying in a unique PIN using the In-Branch Point Of Sale [POS] terminals and without the customer filling in any forms [paperless transacting].

To facilitate this, the Bank implemented an Electronic Transacting Platform [ETP] and all the Bank’s branches and Agent locations were equipped with In-Branch Point Of Sale (POS) terminals. In addition, the Bank facilitated access to the two national Automated Teller Machines [ATM] providers’ networks namely KenSwitch and PesaPoint in addition to own ATMs. The ETP Switch has also provided the possibility of other Banks and Financial institutions [including KenSwitch member Banks] to use POS terminals in Postbank’s branches and Agent locations for deposit and withdrawal of cash.

Registered mobile banking customers can perform cash transfers [transfer cash between their accounts and M-pesa accounts], bill payment, balance enquiry and view statements using SMS. The process improvements have created massive cost saving opportunities in the form of reduced turnaround times, reduction in staff and stationery costs, customer centric in focus and is built around serving the customer faster and better and hence increased efficiency in customer service delivery and reduced per transaction cost. With the upgraded system the bank is now able to offer paperless banking, customers are issued with instant debit cards and do not have to wait for at least 14 days as it was before the automation.

The process improvements have also increased customer service access points [Agent and ATMs] Increased service availability [24 hours access to over 850 ATMs], process created massive cost saving opportunities in the form of reduced turnaround times, reduction in staff and stationery costs. Competitive edge in the mass market place by automating transactions in-branch. This has also created the opportunity for the Bank to extend its product offerings without incurring any additional cost. The potential to grow the business volumes without having to invest in costly human resources and further capital equipment is extremely good. focus and is built around serving the customer faster and better.
While making this changes, Kenya Post Office Savings Bank has faced some constraints. According to the respondents information technology changes involve substantial costs in terms of software, hardware and qualified personnel. Technological innovations rely on telecommunication efficiency. However, the existing communication infrastructure in Kenya needs to be improved to enable the full realization of the benefits of technological improvements. The respondent added that the field of IT is highly dynamic. As a result what may be seen as satisfactory IT adaption today will soon be considered obsolete tomorrow. Despite these challenges, the respondents considered the IT adaptations to have achieved their objectives to a large extent.

4.4.4 Culture Change

The respondents noted that following the restructuring. Better communication across the bank has been enhanced with upward communication being encouraged. The staff for instance are now able to directly communicate with and get response from any one member of the top management. There has been an emphasis on the bank’s vision and mission to be the bank of choice and to sustainably provide financial and other banking services to the public and hence a more customer focused approach has been encouraged.

The rebranding and open plan office designs has been achieved, these are expected to capture and reflect the new look of the bank. The culture change was also aimed at addressing some of the attitudes that were considered to have contributed to the banks poor performance and laid back attitude of the workforce. The respondents stated that the redefined bank’s vision, the creation of strategy and change management section were directly implemented. The rest of the culture change efforts continue to be adapted in a phased approach.

In implementing the culture change the respondents stated that there were some challenges that were encountered. They noted that culture shift is not only difficult to implement but also takes time for the results to be achieved. The top management have
not only been walking the talk but also have been encouraging the staff to embrace the change. Resistance was encountered from a few of the staff who did not see the need to change the way they have been doing things over the years. This prompted the identification of change champions who through continuous and interactive communication with the staff have minimized the extend of such resistance.

Generally, the objectives of culture change have been achieved to a large extent as attested to by the majority of the respondents. However, the people interviewed were of the opinion that the current culture still requires some improvement so as to enable the bank to compete effectively. The objectives of the change were necessary for staff to be customer focused, promote team work and increase productivity. The change was influenced by competition in the industry and image analysis research that was carried out. The change was effected through circulars implementation of balance scorecard and continuous training.

4.4.5 Service Delivery Systems

A high percentage of respondents felt that the growing competition in the business environment calls for the development of new business strategies by every organization. Indeed as the organization makes new innovations, they must continuously keep abreast of what organizations are doing. Judged by the increasingly similar products and services features, one can easily postulate the organizations newly replicating products and services developed by competitors.

In all its branch outlets KPOSB has introduced Point of Sale Terminals that offers paperless banking, fast and efficient services to the customer. KPOSB operates countrywide both in urban and rural areas through an extensive network consisting of own branches and others on agency basis. Currently, the bank has 95 own branches and operates through 350 postal outlets on an agency agreement with the Postal Corporation of Kenya, 140 agent locations in partnership with the rural business community and over 850 ATMs – own and through partnerships (public-private partnerships). By providing efficient delivery systems the customers have been able to find convenience and easy access to banking services countrywide.
4.5 Strategic Fit

According to the respondents the strategic responses made by KPOSB to adapt to the changing environment are not being fully exploited. The respondents also stated that KPOSB should undertake more pro-active initiatives and less re-active responses to facilitate the management of its environment. The respondents felt that the bank needs to fast track the repealing of the act to enable it offer credit to its customers now that it has introduced an upgraded core banking system. The respondents felt the system had the capability to enable the bank develop more innovative products. Adequate budgetary provision needs to be allocated to sustain advertising and promotion campaigns to grow business and create awareness about the banks products and services.

Respondents however, were confident that KPOSB does posses the necessary capability to adapt strategies that can enable it to effectively match the changes in the environment in which it operates. It was also established that the bank could enhance its capability by getting strategic partners that offer complementary services and also have large capital reserves to boost the bank’s resource base. Trends in the business environment more than ever before, now call for strategic alliances for cost effectiveness in service delivery and economies of scale for mutual benefit of organizations involved.

These alliances will facilitate information and knowledge sharing, technical cooperation in projects including payment systems, computerization and mailing. The bank formulates its plans in recognition that no organization can operate successfully in an unplanned environment. Indeed, many corporates embrace strategic management and strategic fit as a tool of achieving their corporate objectives. From the above observations and findings, we see that restructuring, marketing, information technology, culture change and service delivery systems were seen to be major strategic responses the bank has adopted to the changes in the environment.
4.6 Discussion
An organization that is aware of and responds to its external environment achieves sustainable competitive advantage and therefore succeeds in attaining its goals. As observed KPOS B has strived to achieve its goals by responding appropriately to its external environment so as to remain competitive and relevant in the market.

4.6.1 Comparison With Theory
From the findings compared to theory, KPOS B has responded to its external environment by developing strategies that ensure day to day decisions fit in with the long term interest of the bank because as noted by (Bruce and Longdon, 2000) “Without strategy decisions made today would have negative impact on future results.” Cole (1997) states that strategic management is the process directed by top management but engaged in throughout the organization including the involvement of those concerned with satisfying customer legitimate needs. It ensures the attainment of those fundamental goals through the adoption of adequate decision making mechanisms, and the provision of adequate resources for the planned direction for the organization over a given period.

Strategic management as observed in KPOS B is directed by top management and engaged in throughout the organization. The bank ensures that all the departments involved in the formulation and implementation attain fundamental goals through the adoption of adequate decision making mechanisms and provision of adequate resources for planned direction. In implementing strategy, evaluation and control KPOS B has effected change in order to accommodate the new strategy which is based upon the demands of the external environment. Strategic evaluation and control is done to ensure that any deviation is brought back on course. According to (Johnson and Scholes, 1999) Strategic evaluation and control involves not only evaluating strategy for deviation from intended course, but also for flexibility towards responding to new challenges and determining the effectiveness and the pace of the implementation. KPOS B is affected by economic variables in every part of its activities. The bank usually looks at the relationship between its activities and key economic variable which
include inflation and its effect, economic policy, tax policy on profits and interest and the economic mood of the country affecting its investment. (Sababu, 2007) states that economic variables affect organizations in every part of their activities. Organizations should look at the relationship between its activities and key economic variables which include: inflation and deflation and their effects, the economic policy of the country they are operating in, the taxation policy on profits, employees and goods sold, the stage of the trade cycle and the economic mood of the country affecting its investments.

Human attributes such as age, gender, family life, income, education, religion and ethnic groups guide the bank in selecting the kind of products and services that it should offer to its target market. Products have been developed that appeal to the youth, pensioners, salaried, children low and high income earners. (Sababu, 2007) stated that human attributes such as age, gender, family life, Life cycle experience, income, education, occupation, religion, ethnic groups and nationality guide organizations in selecting the kind of products and services that should be offered to a particular population.

KPOSB has developed a modern innovative information system to ensure its operations are highly efficient, this has resulted to the bank providing quality service to its customers and being awarded accolades locally and internationally. According to (Cole, 1997) rapid development in technology has exerted a powerful influence on organizations today. Most organizations have developed information and communication technology to ensure its operations are efficient. Firms should promote innovations to avoid becoming irrelevant in the environment.

4.6.2 Comparison With Other Empirical Studies

Financial institutions all existing in the same environment, within the past ten years the business environment has experienced major macro - environmental changes which are economic decline, liberalization, legislative changes, increasing level of education and technological advancement. The economic recession has also resulted in fewer business opportunities for the financial institution. According to Koks (2008), market segments
in Barclays Bank have been redefined and reorganized into retail and corporate divisions so as to serve the customers better, KPOSB reorganized its marketing department, increased its budget allocation so as to create awareness and in order to be customer focused carefully identified its customers and segmented the market to meet the different needs.

Most institutions have addressed the changes in the environment by formulating and implementing strategic responses that include restructuring, marketing, information technology and culture change. Angara (2010), noted that through improved information technology in Kenya Commercial Bank the bank has been able to achieve interconnectivity and decentralization of its core banking system. This has made the bank’s customers receive excellent and best service in all the branch networks. In the same line KPOSB has recently upgraded its core banking system to be able to provide efficient services to its customers in its 95 branches and 140 agent locations.

Musa (2004) noted that in the last 5 years National Bank of Kenya has undertaken restructuring process was mainly inform of cost cutting control through automation, modernization, reorganization of staff, monitoring cultural change programs to develop sales and profit oriented customers. KPOSB on the other hand had also undertaken restructuring programs through reorganization of staff and offering Voluntary early retirement (VERS) to improve on productivity, speed and efficiency and through restructuring has been able to cut on cost by introducing modern efficient banking system that is paperless.

According to Kiptugen (2003), a more customer focused approach has been encouraged in Kenya Commercial Bank. This has been through the use of concepts of “Customer First and the Quality Experience” that are becoming more widely shared in the bank. KPOSB has continuously laid emphasis on customer service and has gone further to develop a quality policy which staff are encouraged to adhere to and strive at providing the best service to customers.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction
The research findings of the study were compiled and summarized, conclusions of the study drawn and recommendations provided of how KPOSB can adopt strategic responses in the changing environment to enable her remain more competitive and relevant in the market.

5.2 Summary of Findings
This study was primarily aimed at achieving one objective of determining the strategic responses that Kenya Post Office Savings Bank has adopted to the changes in the environment. The study confirms that there have been many changes in the Kenyan economy in the past decade. The major changes include economic decline, liberalization, legislative changes, increased level of education and technological advancements. These changes have contributed to the intense competition in the banking industry especially through the wide availability of substitute products and services as a result KPOSB has had to take measures to counter the impact of such forces.

Economic decline in Kenya especially in the past one year has affected most businesses in the country level of deposits in the bank has drastically reduced. Liberalization and legislative changes has introduced new players in the market at the same time it has led to mergers and acquisitions and more so the enactment of MFI and SACCO bills that has allowed them to take deposits, amendment of banking Act Section 16A where banks are not allowed to levy maintenance fees on savings accounts. This has led to KPOSB’s decrease in its profit margins. The research results also found out that the level of education among the bank’s clientele has greatly improved and hence customers are now able to make more informed decisions on their choice of banks, products and services.

Furthermore the research found that technological advancement in the industry had greatly improved. The study also revealed that there has been a major restructuring in
Kenya Post Office Savings Bank especially in the last one year, this comes about by the signing up of agents, opening branches, increase in distribution channels (ATMs) making it easy to reach their clients in remote areas in the country. Kenya Post Office Savings Bank has also upgraded its core banking system so as to be more effective and efficient in its day to day operations.

The study also found out that cultural transformation has taken place where barriers between the top management have been brought down through training sessions and open door policy this has demystified certain senior offices. Kenya Post Office Savings Bank has developed new products and services to respond to the changes in the environment catering for all segments in the market. Kenya Post Office Savings Bank has taken an approach in marketing its products and services initially it was perceived as a bank that has refused to change with the times but has changed with the introduction of new business model and electronic transacting platform and hence improving its delivery systems and products offering.

The research findings indicates that Kenya Post Office Savings Bank has addressed its changing environmental situation by formulating and implementing strategic responses that include restructuring, marketing, information technology, culture change and service delivery systems. The respondents feel that these responses by the bank have greatly helped the bank to be competitive in the market and in the industry as a whole.

5.3 Conclusion
The objectives of this study was the strategic response adopted by KPOSB in the changing environment. The objective of the study sought to be met were achieved, it is evident from the study that the bank has experienced various challenges in the environment and it has taken varying strategic responses to counter the challenges experienced. Further the study indicated that there is still need for more strategic actions by KPOSB to enable the bank to fully match the environment in which it operates.
The bank needs to get into the lending business fast to retain its relevance in the market that is heavily leaned on borrowing and develop a culture of entrenching customer care excellence and aggressively promoting its products and services. KPOSB has the necessary capability to adopt the strategies that will facilitate effective response by the bank to challenges in both internal and external environment.

5.4 Recommendations

The environment in which the organizations operates is turbulent and forces organizations to have strategic responses which are well developed and appropriately adapted. Strategic responses are powerful tools for acquiring and sustaining competitive advantages such weapons have to be constantly adapted or even transformed to achieve desired advantage. Kenya Post Office Savings Bank should become more pro-active rather than reactive in managing its changing environment. This can be achieved by formulating and implementing strategic initiatives that would pre-empt any anticipated adverse changes in its dynamic environment.

Kenya Post Office Savings Bank has wide network coverage, the researcher therefore requests that the bank should maximize on its competitive strength by developing competitive strategies on the basis of already existing advantage. Secondly, the bank should more aggressively market its products and services through the media in order to attract more businesses and customers who are unreached. The bank should constantly conduct market research to be able to develop innovative products and services to ensure it is in tune with turbulent business environment and customer needs. In order to remain relevant Kenya Post Office Savings Bank must be persistent in lobbying the government to repeal the act that is hindering it from offering credit to clients.

5.5 Limitations Of The Study

The study focused mainly on the Kenyan financial industry and although the industry may be similar internally there are specific factors such as industry life cycle, economy dynamism and competitor environment which may not universally be applicable in all
the countries. The Kenyan financial industry is also growing and changing drastically, therefore the findings of this research may have some variations.

During the study a number of limitations were encountered. This include having little time with the respondents to inquire very deeply into a number of issues because most of the respondents had allocated a few minutes of their time due to their tight schedules. Some of the respondents were busy so most of the time postponed appointments.

The study was undertaken as a case study of KPOSB and may therefore not relate to strategic responses undertaken by all financial institutions in the country to challenges in the environment as most of the products and services offered are different and customized to competitively meet with customers preferences, profitability and market. As a result, the research findings cannot be used to make generalization on the industry.

5.6 Suggestions For Further Research

Despite the in-depth coverage of this study and its findings, there still exists a gap that further researchers could explore. The study recommends further research on response by other companies to changes in the business environment. Not only in the financial sector but also other sectors. Further study will bring insights in the area of study.

Cross sectional survey covering the whole industry can be undertaken. This will allow for industry generalizations to be made. This is because the current study only covers one bank in the financial sector. And the wide study should be able to cover all financial and banks in the industry hence being able to compare and contrast all players in the industry. Alternatively comparative study between commercial banks and financial institutes can be carried out to see if there exists any further difference in their strategies.
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APPENDIX 1: INTERVIEW GUIDE
INTERVIEW GUIDE FOR STRATEGIC RESPONSES BY KENYA POST OFFICE SAVINGS BANK TO CHANGES IN THE ENVIRONMENT

SECTION A: RESPONDENTS PROFILE
1. POSITION HELD
2. NUMBER OF YEARS OF SERVICE IN KPOSB
3. DEPARTMENT

SECTION B: CHANGES EXPERIENCED BY KPOSB IN THE ENVIRONMENT
4. What are the major changes that have taken place within the last 10 years, in the business environment which have affected KPOSB.
5. What challenges have these changes posed to KPOSB.

SECTION C: STRATEGIC RESPONSES
6. Has KPOSB responded to the environmental changes identified above.
7. How has Postbank responded to the environmental changes you have identified above.
8. Have the responses produced desired results?
9. Are the strategic responses adequate? elaborate
10. Are there challenges the bank has not responded to?
11. How does the bank intend to respond to these challenges?
12. What else should the bank do to remain relevant in the market place?
13. Does the bank have necessary capabilities to match internal resources with the external environment?
14. According to your assessment does KPOSB currently possess the necessary capabilities to adopt aggressive strategies to match the environmental changes?
15. If not, please indicate the possible means by which the bank assures these capabilities.
16. Any Other comments