CHALLENGES IN THE IMPLEMENTATION OF COMPETITIVE STRATEGIES BY BARCLAYS BANK OF KENYA LTD

By:

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DECLARATION

This is to certify that this research project is my original work and has not been presented for award of a degree at the University of Nairobi or any other institution of higher learning.

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D61/70505/2008

Signed ....

Date...11/11/2010...............................

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

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Signed ....

Date......11/11/2010.........

DEDICATION

To my parents Charles and Alice Nyamao

For support encouragement and love

To my siblings

Joy, Jackie, Doug and George

To Martin Wachira
For cheering me on during this project

To the Almighty
For life, health and truth

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ABBREVIATIONS AND ACRONYMS

BBK	Barclays Bank of Kenya Ltd
N/R	No Response.
NAA	Not at all
LE	Little Extent
ME	Moderate Extent
GE	Great Extent
VGE	Very Great Extent
NSE	Nairobi Stock Exchange
CBK	Central Bank of Kenya

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ABSTRACT

Kenya's banking sector is a cutthroat business arena with each player scrambling for a piece of the pie. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. This has forced the existing commercial banks to use varying competitive strategies depending on whether they want to defend the existing markets or to enter into new ones. The purpose of this study was to investigate the challenges facing Barclays Bank of Kenya in the implementation of its competitive strategies in the face of increased competition. A Literature review was carried out which reviewed various concepts on the topic under review. The concepts examined included such as the concept of strategy, competitive strategy, various aspects of Porters competitive strategy, the implementation of competitive strategy and various challenges facing competitive strategy. A research seeking to establish various competitive strategies adopted by at Barclays Bank of Kenya Ltd as well as the implementation of these competitive strategies was carried out. Secondary data was also examined by checking relevant information from company records such as financial statements, employee surveys and staff magazines. This data was used in the formulation of the questionnaire and for coming up with the relevant conclusion. Finally the data was analyzed based on the objectives of the study and involved the use of descriptive statistics including frequencies, means and percentages. It was then presented in tabular form using charts and tables. The researcher then used this analysis to come up with relevant conclusions and recommendation to the research question.

***Key words*: Challenges, Implementation, Competitive Strategies, Barclays Bank of Kenya Ltd.**

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

One major challenge presented by a dynamic environment is increased competition. Competition is rivalry between companies to achieve greater market share. Competition between companies for customers leads to product innovation and improvement which leads to lower prices and ultimately competitive advantage. Porter (1989) noted that it is necessary for a firm to understand the competitive forces in its industry in order to formulate appropriate strategies to respond to competitive forces. He further notes that the essence of formulating competitive strategy is to relate a firm to its environment.

Competitive strategies comprise of all those moves and approaches that a firm has and is taking to attract buyers and to withstand competitive pressure as well as to improve its market position. It concerns what a firm is doing in order to gain sustainable competitive advantage. Porter (1989), argues that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy which he defines as the development of an overall cost leadership, differentiation or focus approach to competition.

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region as well as automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products. Currently there are there are 44 licensed commercial banks and 1 mortgage finance company. Out of the 45 financial institutions, 32 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise 3 banks with significant shareholding by the Government and State Corporations, 28 commercial banks and 1 mortgage finance institution. Considering the fact that banking services are almost similar, there has been an upsurge of competition amongst banks resulting from increased innovations and from new entrants into the market. In addition, other sectors such as mobile phone companies have exploited the banking concept, and capitalized on a larger section of the un-banked Kenyan population by introducing easier and cheaper ways of banking. This has forced the existing commercial banks to use varying competitive strategies depending on whether they want to defend the existing markets or to enter into new ones.

1.1.1 Competitive Strategies

A competitive strategy consists of moves to attract customers, withstand competitive pressure and to strengthen an organizations market position. The objective of a competitive strategy is to generate a competitive advantage, increase the loyalty of customers and to beat competitors. Many models have been advanced as planning tools to be used in developing and sustaining competitive advantage. These models include the General electric Matrix (Hunger and Wheelen 1995), Ansoff's Growth matrix (Ansoff, 1990), Boston Consulting Group's product portfolio Matrix (Hunger and Wheelen 1995) and Porter's Generic Strategies Porter (1989).

The GE matrix is a model used to perform a business portfolio analysis on the strategic business units of a corporation. The aim of this portfolio analysis is to decide which strategic business units should receive more or less investments, , to develop growth strategies for adding new products and businesses to the portfolio and to decide which products should no longer be retained.

Ansoff Growth matrix is a tool that helps businesses decide their product and market growth strategy. Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. It is used by marketers who have objectives for growth. Ansoff's matrix offers strategic choices to achieve the objectives. The four main categories for selection are: market penetration, market development, product development and diversification (Ansoff, 1990)

The Boston Consulting Group's product portfolio Matrix was developed by the Boston Consulting Group and is an approach to portfolio planning. It has two controlling a aspects, namely: relative market share (i.e. relative to competitors), and market growth (Hunger and Wheelen 1995). The model evaluates strategic business units based on market growth and relative market share enabling management to give consideration to the future potential of the market and the Strategic Business Unit's competitive position. With this analysis, four strategies can be pursued namely: build, hold, harvest or divest.

Porter (1989) identifies three generic strategies for achieving competitive advantage. The strategies are through cost leadership, differentiation and focus. Each of these strategies is a different approach to creating and sustaining competitive advantage. This paper will adopt and use Porters Generic Strategies in discussing the challenges facing Barclays in implementation of its competitive strategies.

1.1.2 Challenges facing the Implementation of Competitive Strategies

Strategy implementation involves the application of management processes to obtain desired results. It is the process of ensuring that strategies that have been formulated by an organisation come to fruition by allocating the necessary resources to the chosen strategies. This may mean effectively directing and controlling the organisations resources and mechanisms such as the organisations structure and information systems, leadership styles, budgeting, rewards and control systems, all of which are necessary ingredients for strategy implementation. (Pierce and Robinson, 1985)

It goes without saying that implementing a strategy and making it work is a more difficult task than formulating it. This is a challenge that most organisations have to grapple with owing to the fact that implementation is a process that takes place over a prolonged period of time during which other factors, some unforeseen, come into play. For instance, competitors may change their tactics, forcing a firm to react immediately to counter a possible threat, or customer needs may change, or key personnel may leave a firm during the strategy implementation process. In addition, its only human to want quick results, thus the long time frame taken during strategy implementation may put managers under undue pressure for results.

Strategy implementation usually involves more people than strategy formulation. Communication down the organisation or across different functions may be a challenge thus it becomes a necessity to include everyone in the implementation process. This can be done by linking the implementation process with strategic objectives that form the day to day concerns of personnel at different organisational levels so that everyone is included in the implementation process. This will ensure that resistance from personnel is put in check and that management's efforts in the implementation process are successful. Owing to these challenges, it is important that the various stakeholders involved in the implementation process foresee the obstacles that are bound to come up and to take appropriate action to mitigate these challenges

The environment faced by an organization can be categorized by the external environment which consists of everything outside the organization that might affect it and the internal environment consisting of conditions and forces within the organization. Porter (1985) observes that for firms to be able to retain competitive advantage, they need to examine their environment both internal and external and respond accordingly. The impact of the environment on a firm varies from firm to firm and depends on how well the firm is prepared to utilize its competitive strategies to maintain and improve its performance. Farrance (1993), identified distribution, technology, segmentation, pricing, product development, branding, service quality and relationship marketing as areas where firms can develop strategies geared toward gaining competitive advantage. Ansoff and McDonnel (1990) also point out that the success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to level environmental turbulence. This is because each level of turbulence has its own characteristics which require specific strategies and different firm capabilities.

There has been unprecedented competition on the global business environment brought about by fundamental forces of change. The Kenyan environment has not been exempt from what the global scene is experiencing. Markets, consumers, competitors and technology are constantly changing that it is not possible to predict what will happen and/or when it will happen. The turbulent environment continually presents opportunities and challenges which organizations must manage effectively to ensure survival and success. This requires formulation of strategies that constantly match organizational capabilities to environmental requirements. Success therefore calls for a proactive approach to business (Pearce and Robinson, 2003).

1.1.3 Commercial Banking in Kenya

The banking sector in Kenya is made up 44 licensed commercial banks and 1 mortgage finance company. Out of the 45 financial institutions, 32 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise 3 banks with significant shareholding by the Government and State Corporations, 28 commercial banks and 1 mortgage finance institution (see appendix II). All these banks are governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act, and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The CBK has the responsibility of formulating and implementing monetary policy directed to achieving and maintaining stability in the general level of prices in Kenya as well as fostering liquidity, solvency, and proper functioning of stable market-based financial system (The Banking Survey, Kenya 2008).

Competition in the Kenyan banking is getting stiffer by the day as banks gear up their capital, invest more in IT, expand their networks and become more innovative in their product and service offerings. Since banks offer similar products and services, the fortunes of one bank over another are mainly influenced by one ore two new products in their portfolio. In Kenya, the banking sector has faced two major crises, in the mid-1980s and the early 1990s. The main factors of these crises were under-capitalization and under-performance of loans. This was an indication of financial fragility and loss of public confidence in the financial sector. With that in mind, the banking sector was liberalized in 1995 and exchange controls lifted.

These changes strengthened supervision of the banking industry, while at the same time encouraged self-regulation. Besides liberalization, other significant issues continue to affect the banking industry in Kenya including the current changes in the regulatory framework, mergers and reorganization of institutions due to declining interest rate margins, increased demand for non-traditional services, and the introduction of new players offering financial services products. In the recent past, new laws have been passed by the CBK to avert any crises. This has forced banks take up measures to increase their capital base which among other things has led to mergers of small banks, offering rights issues to increase their capital base as well as introducing long term bonds in the market.

1.1.4 Barclays Bank of Kenya Ltd

Barclays Bank of Kenya Ltd, a subsidiary of Barclays PLC, is a leading Bank in Kenya which has had a local presence since 1925. It was incorporated in 1978 and listed on the Nairobi Stock Exchange (NSE) in 1986. It has grown to be the largest bank in terms of asset base now heading to 2.5 billion US dollars and its value on the stock exchange pegged at 852 million US dollars making it one of the most sought after stocks, popular with both institutional and retail investors. It is also the most profitable bank currently in Kenya with a pre-tax profit of Ksh 9 Billion in 2009, a growth of 12% over the previous year. It operates through over 119 outlets and 231 automated teller machines. It is not only the third largest listed firm in the market, but one whose tentacles extend to all corners of the economy. It currently holds a market share of 30% in Kenya (Barclays Bank of Kenya Ltd 2009 Annual Report and Accounts)

The Bank provides personal banking services which include bank accounts, current accounts, debit and credit cards, foreign currency accounts, personal loans, premier banking services and other services. Barclays Bank of Kenya Ltd also provides an array of business banking solutions, such as personal cash management services, working capital finance, fixed-asset finance, project finance, short-term overdrafts and loans, medium- and long-term loans, domestic and major foreign currency advances, trade services, letters of credit, bill collection, foreign currency accounts and treasury services.

In addition, the Bank offers investment management, pension/provident fund administration, trust management and property management services, as well as provides specialized services to institutional investors. Among other very innovative products and services, the bank pioneered the concept of unsecured retail lending and Islamic banking in Kenya. As well as a mobile banking service dubbed hello money which enables customers to carry out bank transactions on the comfort of their mobile phones.

In 2007, the bank embarked on an aggressive branch expansion and lending strategy scheme which saw the bank open 45 new branches and 86 ATMs countrywide and saw its loan books grow by more than 25%. This has diversified the banks income and reduced its overdependence on urban customers. Although the bank has slowed down on this expansion strategy, it has in the recent past capitalised on reducing its Non-performing loans as well as emphasized on cost cutting. This has seen the bank reduce the number of contract staff as well as hiring of debt collectors to manage its bad debts - strategies that the Managing director, Mr Adan Mohammed, claimed to have contributed to its commendable performance over the past year when he released the 2009 financial results in February this year.

1.2 Statement of the Problem

Different organizations face different challenges when implementing their competitive strategies. These challenges are specific to each organization and specific to each industry. Barclays Bank of Kenya Ltd is not immune to these challenges as new entrants keep coming into the banking industry or existing competitors change their tactics. This forces the bank to keep renewing its competitive strategies by reviewing its various facets so as to ensure survival and success and to meet its customer's expectations, a challenge it faces on a day to day basis.

In the last couple of years, the banking industry has seen an upsurge in the number of players in the industry with Building societies such as Equity and Family Bank being converted into commercial banks, there have been mergers of small banks such as CFC and Stanbic Bank and Mobile Phone companies such as Zain and Safaricom have introduced services that carry the concept of banking. The liberal economy and forces of globalization, coupled with developments in the business environment have made competition stiff with each player stepping up their efforts to garner a sizeable market share. This has called for among other things strong product and service offerings, better customer service and increased innovation to counter the stiff competition in the industry. It is therefore imperative and inevitable for each player to be aggressive in its competitive endeavors by crafting appropriate competitive strategies and increasing their defensive position so as to sustain competitive advantage. The challenge commercial banks face is the fact that the services offered are more or less similar therefore differentiation, despite being a challenge, is the key to success. This makes the line between superior performance and dismal performance very thin and largely dependent upon customer experience.

A number of studies have been done on competitive strategies. The context/industries studied include Real Estate firms, Companies listed on the Nairobi Stock Exchange, Fast Food Chains, Supermarkets, Public Health institutions, Airlines and Media firms, petroleum retail stations, Reproductive health organizations, Telecommunication firms, and Travel Agents to mention but a view. From a sample of these studies, it was evident from these studies that firms in each respective industry adopt different competitive strategies which are unique to their context. Studies have also been carried about on competitive strategies in the banking industry. Githui 2006, studied challenges for strategy implementation at Barclays Bank of Kenya Ltd. Mwarey 2008 studied on strategic responses to Competition by Barclays Bank of Kenya Ltd, Kok's ,2008 studied strategic responses by Barclays Bank of Kenya Ltd to changes in the environment, no known study has looked at the challenges facing the implementation of competitive strategies by Barclays Bank of Kenya Ltd's vis-à-vis the environmental changes. To contribute towards bridging the existing gap of knowledge, it is imperative that an investigative study be carried out on the implementation of competitive strategies adopted by Barclays Bank of Kenya Ltd. The study therefore sought to answer the following questions.

i. What competitive strategies has Barclays Bank of Kenya Ltd adopted as a major player in the banking industry?
ii. How has Barclays Bank of Kenya Ltd fared in the implementation of its competitive strategies despite increased competition and changing environmental conditions?

1.3 Objectives of the Study

The objectives of this study were to:

i. To identify various competitive strategies adopted by Barclays Bank of Kenya Ltd.
ii. To establish the challenges facing the implementation of competitive strategies adopted by Barclays Bank of Kenya Ltd in the face of increased competition.

1.4 Value of the Study

This study will be useful at all levels of the financial industry and more so to commercial banks in assessing their competitive strategies amidst changes in the banking industry as well as in re-evaluating their competitive position as far as their competitive strategies are concerned. This is because with the upsurge of banks in the recent past and with the liberalization of the financial sector, there is an ever increasing need for banks to up their game in coming up with competitive strategies that are more superior than their competitors and to continuously evaluate the implementation of the competitive strategies they come up with so as to identify gaps that they should address in order to retain and improve their market position. The study will also be of interest to the government and corporate policy makers who have the responsibility of formulating and implementing monetary policy directed at achieving and maintaining stability in this sector. They will be able to understand the impact of these policies on the competitiveness of commercial banks in Kenya and avert any crises that may result from overregulation or under regulation of the industry. This will mean that when formulating policies that deal with the industry, there will be fair play and consideration of all players in the industry.

Further, the study will contribute to bridging the gap of knowledge on the challenges banks, in particular, Barclays Bank of Kenya Ltd, face in implementing their competitive strategies and bring to light various ways they can address this challenges effectively so as to sustain competitive advantage. Since there have been changes in the industry over the last couple of years owing to the liberal economy and forces of globalization as well as new players in the industry, this study will be invaluable in analyzing the competitive position of the bank in relation to its competitive strategies so as to ensure their proper implementation hence adopting a forward looking approach in dealing with them hence ensuring sustainable competitive advantage.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The overall strategic process begins when executives evaluate their current position with respect to mission, goals and strategies (Daft 2000). They then scan the organizations internal and external environment and identify strategic factors that may require change. Depending on their assessment, a need may arise to redefine the mission or goals or to formulate new strategy at either corporate, business or functional level. However, the link between formulation and implementation of competitive strategy is blurred. This chapter examines literature from various scholars on the concept of strategy, competitive strategies and competitive strategy models and seeks to ascertain what challenges firms face on a day to day basis in the implementation of competitive strategy.

2.2 The Concept of Strategy

Strategy is a multi-dimensional concept which has been defined by various scholars in different ways. Ansoff (1965) defines strategy as a pattern of decisions in an organization that determines and reveals objectives, purpose or goals, produces the principal policies and plans for achieving those goals and defines the range of business an organization is to pursue, the kind of economic and human organization it is or intends to be and the nature of the economic and non-economic contribution it intends to make to its stakeholders.. Ansoff and McDonnel (1990), define strategy as a set of decision making rules for guidance of organizational behaviour. Such rules, they note, are of four types. First, they are yardsticks by which present and future performance of the firm is measured (goals and objectives). They there are rules for developing the firm's relationship with its external environment (business strategy). Next are rules for establishing the internal relations and processes within the organization (organizational concept). Finally, they are rules by which the firm conducts its day to day business (operating policies). They further note that strategy is a powerful tool which offers significant help for coping with turbulence confronted by business firms today.

According to Porter (1980), strategy is basically about competition and the means by which an organization tries to gain competitive advantage. According to him the essence of strategy formulation is coping with competition which is rooted in an industry's underlying economies which include its customers, suppliers, potential entrants and substitute products. Hax and Majluf (1996) present strategy as a multidimensional concept that embraces all the critical activities of a firm, providing a sense of unity, direction and purpose as well as facilitating the necessary changes induced by its environment. They provide a unified definition of the concept of strategy as a means of establishing the organizational purpose in terms of its long-term objectives, action programs and resource allocation; a definition of the competitive domain of a firm; a response to external opportunities and threats and internal strengths and weaknesses in order to achieve a sustainable competitive advantage; a way to define managerial tasks with corporate, business and functional perspectives; an expression of strategic intent; a means to develop the core competencies of the organization; and a means of investing in tangible and intangible resources to develop the capabilities that assure a sustainable advantage.

What emerges is that there is no single definition of strategy. However, strategy has a lot to do with how a firm relates to its environment, taking into account its internal and external capabilities. Since organizations operate in turbulent environments, it is important that they continuously adapt their activities and configurations to reflect the new external situations. Failure to do so endangers the future success of the organization (Aosa, 1998). According to Grant (2000), a successful strategy is consistent with organizations goals and values, external environment, resources, capabilities and organizational systems. This indicates that organizations depend on the environment for their survival and responses to the environmental situations determine their performance. Thus, when there are changes in the environment, the organization's capability and strategy needs to be altered or modified in order to ensure a strategic fit.

2.3 Competitive Strategy

Increased competition presents a major challenge in a dynamic environment. Competition denotes the existence of firms that try to sell identical products or services to the same group of customers. Porter (1989) noted that it is necessary for a firm to understand the competitive forces in its industry in order to formulate appropriate strategies to respond to competitive forces. This is because competition threatens the attractiveness of an industry by reducing the profitability of players in that industry. Thus firms have to proactively scan their environments in order to adequately respond to changes in their environments by formulating strategies that will ensure their survival and ultimately lead to competitive advantage. A firm's competitors may change over time in terms of their characteristics, strategies and strategic focus due to environmental factors that affect the structure of the industry (Porter, 1980). A firm would therefore need to carry out an industry and competitive analysis in a bid to understand the industries competitive process and the main sources of competitive pressure and how strong these forces are.

Porter (1980), explains that are two determinants to an organizations profitability, that is, the industry in which it competes and its strategic position in the industry. Industry analysis is a powerful tool that can be used to understand the competitive forces in an organizations industry, to assess the attractiveness of, and growth opportunities within, a new industry and to developing effective strategies to raise a firm's profitability. Some industries have inherently low profit potential while others are highly profitable. The most profitable companies have a strong competitive position in a highly profitable industry. The poorest companies have weak positions in weak industries. He further argues that most businesses must respond to five basic competitive forces that drive industry competition. These five forces are existing competitive rivalry between suppliers, threat of new market entrants, bargaining power of buyers, bargaining power of suppliers and threat of substitute products. These forces have over the years become a yardstick for assessing industry profitability as they provide a simple perspective for assessing and analyzing the competitive strength and position of a corporation or business organization. The more powerful these forces in an industry, the lower the industries profit potential. And the strength of each force differs by industry and changes over time.

All organizations operate within both external and internal environments. The external environment involves forces external to an organization such as markets, customers, the economy, social and political forces all of which influences its decisions and internal operations. An organization therefore needs to align itself with its environment, the key aspect of which is the industry or industries in which it competes; consequently the organization has to get ways or strategies to achieve advantageous and easily defended positions in their markets. In order to maximize the value of the capabilities that distinguish it from its competitors a firm needs to build competitive advantage in the industry. It is this advantage which needs to be sustained.

Wheelen Thomas (2004) advances the view that competitive advantage is key to the success or failure of firms. It is the ability of a firm to use its resources, capabilities (assets, process, skill, and knowledge) in a way that provides a competitive edge. Competitive advantage concentrates on the firm. Porter (1998) looked at it as the activities that are narrower than the traditional functions that actually generate cost and value for buyers. To him, a firm possesses a Sustainable Competitive Advantage when it has value creating processes and positions that cannot be duplicated or imitated by other firms that lead to the production of above normal returns. It refers to the determination of the purpose and the long term objective of an enterprise to have and adapt courses of action and allocation of resources necessary to achieve desired lead in the market. Hence a sustainable competitive advantage is one that can be maintained for a significant amount of time even in the presence of competition. Competitive advantage becomes a sustainable competitive advantage when all duplication and imitation efforts have ceased and the rival firms have not been able to create the same value that the said firm is creating. The source of the advantage can be something the company does that is distinctive and difficult to replicate, also known as its core competence.

The fact that a firm can use resources and capabilities well to develop competitive advantage does not mean it will be able to sustain it. Wheelen Thomas, 2004 identified four key determinants of a sustainable competitive advantage. They are: *Durability*, that is, the rate at which underlying resources and capabilities or core competencies become obsolete or irrelevant; *Imitability*, which refers to how fast a firm's underlying resources and capabilities can be duplicated by others either by reverse engineering, hiring their employees, patent infringement or otherwise. Competitors find it relatively easy to imitate other firms' distinctive competency if it is from explicit knowledge. The competitive intelligence machinery will quickly identify it and communicate it. Tacit knowledge on the other hand is not easily communicated since it is deeply rooted in employee experience or in a firm's culture. Distinctive competence is easily imitated to the extent that they are transparent, transferable and replicable. Transparency refers to the speed at with which other firms understand the relationship of other firm's resources and capabilities. If this is easily understood then it will be replicated; *Transferability*, which refers to how capable the competition is able to gather resources and capabilities necessary to support competitive strategies and *Replicability*, which is the ability of competitors to duplicate resources and capabilities to imitate the other firms' success.

For a firm to have a competitive advantage it has to have business strategies that improve the competitive position of its products and services. The development of sustainable competitive advantage lies at the core of strategy development due to rising and intense competition. Sustainable competitive advantage is usually developed over time and is based on stability and continuity in relationships between different parts of an organization. The main reasons for analyzing competitors is to enable the organization develop competitive advantage against them, especially advantage that can be sustained over time. Sustainable competitive advantage involves every aspect of the way that the organization competes in the market place. Its real benefit comes from advantages that competitors cannot easily imitate. Hence to be sustainable, competitive advantage needs to be more deeply embedded in the organization i.e. its resources, skills, culture and investment over time. It involves seeking something unique and different from competitors (Porter, 1998).

When a firm's competitive strategy is increasingly effective, it provides a good defence against the five competitive forces and alters the competitive pressures facing it. This helps create a sustainable competitive advantage. Managers can only develop winning strategies by first identifying the competitive pressures that exist, gauging the relative strength of each and gaining a deep understanding of the industry's whole competitive structure. According to Hill and Jones (2001), competitive advantage is the ability of a company to outperform competitors within the same market. Innovation, efficiency and customer responsiveness and quality can be regarded as the building blocks of competitive advantage. Superior efficiency enables a company to lower its costs, customer responsiveness allows a company to charge higher prices and superior innovation can lead to lower unit costs. Together these four factors help a company create more value by lowering costs and differentiating its products from those of competitors. One of the most common consequences of innovation has been to lower fixes costs of production thereby reducing barriers of entry and allowing newer and smaller enterprises to compete with large established corporations.

In an effort to achieve market leadership in the banking industry, rivalry takes various forms including pricing of various services and produces, advertising battles, promotions, introduction of new products and enhanced customer service. Aosa (1992), noted that the fact that companies strive to maintain leadership over competitors is an indication of the desire to survive. He further stated that as complexity increased, companies reacted differently to maintain their competitive edge. In his study on the Kenyan context, he found that for the competitive strategy model to be applicable, it required the inclusion of additional strategic forces when compared to similar models put forward in developed countries. These additional forces include a customer, suppliers, logistics power play and government. The essence of formulating a competitive strategy is relating the company to its environment and to obtain a sustainable competitive advantage.

2.4 Competitor Analysis

Competitor Analysis is an important part of the strategic planning process as it is an important component that give a firm a strong market understanding. (Gluck, Kaufman and Walleck, 2000). This drives the formulation of a strategy and it applies whether a firm formulates a strategy through strategic thinking, formal strategic planning, or opportunistic strategic decision making. Competitor analysis, together with an understanding of major environmental trends, is a key input in strategy formulation and should be developed properly. It helps a firm to understand its competitive position in relation to its competitors, to understand its competitor's actions, both present and future, and to react appropriately to these, to provide an informed basis to develop strategies to achieve competitive advantage in the future and to forecast returns that may be made from future investments (Davidson, 1997). The key objectives in competitor analysis are to develop a greater understanding of what competitors have put in place in terms of resources and capabilities, what they plan to do in their businesses, and how they may react to various situations in reaction to what the firm does.

Michael Porter (1980), defined a competitor analysis framework that focused on four key aspects namely, competitor's objectives, competitor's assumptions, competitor's strategy, and competitor's resources and capabilities. These four aspects of competitor analysis are the areas critical for a firm to understand and they should pursue this knowledge not only for current competitors but also for other potential competitors in the business.When undertaking competitor analysis, a firm should bear in mind who its competitors are, what threats they pose, what their objectives are, What strategies they are pursuing and how successful these strategies are, What their strengths and weaknesses are and how they are likely to respond to any changes to the way the firm does business. There are various sources a firm can use to gather this information. Davidson (1997) describes how the sources of competitive information can be grouped into three categories. Recorded data can be used as it is easily available in published form. For instance one could get this form a competitors annual reports, product brochures, press releases, newspaper articles, government reports, analysts reports and from the internet. Observable data has to be actively sought and often assembled from several sources such as price list, advertising campaigns, promotion, tenders and patent application. And finally opportunistic data which requires a lot of planning and organization to collect at it comes from the most unlikely or sketchy sources such as from discussions with suppliers, customers and, perhaps, previous management of competitors.

In his book, Davidson likens the process of gathering competitive data to a jigsaw puzzle. Each individual piece of data does not have much value. The important skill is to collect as many of the pieces as possible and to assemble them into an overall picture of the competitor. This enables you to identify any missing pieces and to take the necessary steps to collect them. A Competitive analysis is an important requirement in any business plan because it reveals the firm's competitive position in the market and assists a firm to develop strategies to be competitive. The analysis uses a variation of SWOT analysis, a popular strategic planning tool, to help a firm identify the strengths and weaknesses of competitors, and its opportunities and threats. When conducting a competitive analysis, the first for a firm is to do is to identify its competitors, both direct and indirect. For instance, for Barclays Bank of Kenya,, direct competitors may be other banks like Standard Chartered Bank or Equity Bank Ltd who offer identical products and services Indirect competitors are businesses that are offering products and services that are close substitutes for instance the Mobile phone companies that offer products similar to banking such as Safaricoms "Mpesa"and Zains "Zap".

Next, a firm needs to analyse its Competition by conducting a methodical analysis of their strengths and weaknesses. This is important because it is a widely-accepted fact that a company achieves success through the assets, skills, and competitive advantages that it brings into the marketplace. An analysis of successful competitors should reveal these sources of prosperity and assist it in structuring its business idea. Searching for weaknesses not only provides insight into what others may be doing wrong, but reveals where opportunities for success may lie. The next step is by defining the firms Competitive Advantage and coming up with appropriate Competitive strategies to retain its competitive advantage. Sources of competitive advantage may be patents, branding, innovative product sales techniques, better and/or cheaper sources of supply than competitors, more entrepreneurial management, and superior customer relationship management strategies.

2.5 Porters Generic Competitive Strategy

An effective competitive strategy takes offensive action in order to create a defendable position against the five competitive forces discussed in the subheading above, thereby yielding a superior return on investment on the firm (Porter, 1998). The aim of any firm should be to develop a distinctive competence that is greater than its competitors. Porter (1989), identified two basic types of competitive advantage a firm can posses: low cost or differentiation. The two basic types of competitive advantage combined with the scope for which a firm seeks to achieve them, lead to three generic strategies for achieving above average industry performance, namely, cost leadership, differentiation and focus. The focus strategy has two variants, cost focus and differentiation focus.

Each of the strategies can be employed by a firm to gain competitive advantage (Lowes et al, 1998). To be an average performer, a firm must generally make a choice among the four rather than attempt to address them all at once. Walker (2004) indicated that a firm should either be a differentiator or the cost leader where a differentiator invests in offering high value while the cost leader has the lowest cost. He further explains that the strategies can be applied to a broadly defined market or to a niche market. The effectiveness of each strategy is contingent on the opportunities and threats in a firm's external environment and the possibilities permitted by the firms' unique resources, capabilities and core competencies.

2.5.1 Overall Cost Leadership

Overall cost leadership is a generic strategic thrust that emphasizes providing products and services at the lowest per unit cost within an entire market. Porter (1980) notes that cost leadership requires aggressive construction of efficient-scale facilities, vigorous pursuit of cost reductions from experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like R&D, service, sales force, advertising, and so on. Overall cost leadership requires firms to develop policies aimed at becoming and remaining the lowest-cost producer and/or distributor in the industry. Company strategies aimed at controlling costs include construction of efficient-scale facilities, tight control of costs and overhead, avoidance of marginal customer accounts, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs. The low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other firms in its market.

According to Pearce & Robinson (2003) a firm gains numerous benefits from having low cost position. They include defense against rivalry of competitors because its lower cost means that it can still earn returns after its competitors have competed away their profits through rivalry, defense against powerful buyer because they can only exert power to drive down prices to the level of the next most efficient competitor, defense against powerful suppliers by providing more flexibility to cope with input cost increases, new entrants are also deterred by low cost capabilities and supply price increases are more easily absorbed and finally it places the firm in a favourable position vis-à-vis substitutes relative to its competitors in the industry.

Overall cost leadership is not without potential problems. Two or more firms competing for cost leadership may engage in price wars that drive profits to very low levels. Ideally, a firm using a cost leader strategy will develop an advantage that is not easily copied by others. Cost leaders also must maintain their investment in state-of-the-art equipment or face the possible entry of more cost-effective competitors. Major changes in technology may drastically change production processes so that previous investments in production technology are no longer advantageous. Finally, firms may become so concerned with maintaining low costs that needed changes in production or marketing are overlooked. The strategy may be more difficult in a dynamic environment because some of the expenses that firms may seek to minimize are research and development costs or marketing research costs, yet these are expenses the firm may need to incur in order to remain competitive.

2.5.2 Differentiation

Differentiation is a strategy where a firm creates differential advantage through features or services that sets it apart from others in the market. According to Walker 2002, differentiation implies that the organization has to offer something unique, unmatched by its competitors and is valued by its competitors beyond offering simply a lower price. It calls for creating something that is perceived industry-wide as being unique. Customers must be willing to pay more than the marginal cost of adding the differentiating feature if a differentiation strategy is to succeed. Differentiation may be attained through many features that make the product or service appear unique. Differentiation can take the form of warranties, brand image, technology, features, service, quality/value or dealer network. Differentiation does not allow a firm to ignore costs; it makes a firm's products less susceptible to cost pressures from competitors because customers see the product as unique and are willing to pay extra to have the product with the desirable features. Differentiation can be achieved through real product features or through advertising that causes the customer to perceive that the product is unique.

Porter (1998) explained that if achieved, differentiation is a viable strategy for earning above average returns in an industry because it creates a defensible position for coping with the five competitive forces albeit in a different way that cost leadership. It provides insulation against competitive rivalry because of brand loyalty by customers and resulting low sensitivity to price, it also increases margins which avoids the need for allow cost position, the resulting customers loyalty and need for a competitor to overcome uniqueness provides entry barriers. The risks associated with this strategy is imitation by competitors, changes in customer tastes and increases in the selling price of product due to extra cost incurred of adding features on a product to achieve differentiation.

2.5.3 Focus

This is a strategy that rests on the choice of a narrow competitive scope within an industry. It is about identification of a particular customer segment or geographical market and coming up with products suitable for that segment. It is build around serving a particular target very well and once the segment is identified, then the firm may pursue either cost or differentiation strategies (Porter, 1980). The target segment may be defined by geographical uniqueness, specialized requirements in using the product or by special product attributes that appeal only to segment members. The underlying premise of the focus strategy is that a firm is better able to serve a limited segment more efficiently than competitors can serve a broader range of customers. Firms using a focus strategy simply apply a cost leader or differentiation strategy to a segment of the larger market. Firms may thus be able to differentiate themselves based on meeting customer needs, or they may be able to achieve lower costs within limited markets. Focus strategies are most effective when customers have distinctive preferences or specialized needs.

2.6 Implementation of Competitive strategies

Successful competitors not only have superior market positions, they implement strategy effectively within these market positions over time. Without effective implementation, a strategy is just an idea waiting to happen. Sometimes a firm's strategy emerges as events unfold, but ultimately implementation requires ongoing, deliberate action to achieve the firm's economic targets (Charan & Bossidy, 2002). Implementation is the substance of strategic action, it is about building the resource and capabilities that lead to competitive advantage through critical value and cost drivers. Firms in an industry typically cluster into distinct market positions. Within a cluster of highly similar market positions, one firm may perform well and another relatively poorly. This variation in the ability to execute emerges over time as the industry develops and firms experiment with alternative dynamic growth paths, some of which succeed better than others (Walker, 2004)

In studying the implementation of competitive strategies, it is important to look at the whole process of strategy management which includes formulation, implementation and evaluation which are inseparable and continuously influencing each other. Formulation involves doing a SWOT analysis and setting objectives. This involves crafting vision statements, mission statements, overall corporate objectives and tactical objectives in line with the competitive strategies of the firm and the situation analysis carried out.

Implementation involves allocation of sufficient resources, whether financial, human resources, time, technological support, communication and to build a conducive structure. Managers are encouraged to consider analysis of organizational structures and systems before strategy implementation as well as analysis of culture, power and conflict (Pearce and Robinson, 1998). Evaluation is the final step in the strategy management. It is necessary as it ensures that the stated objectives are being achieved thus helps in managing the process. It includes monitoring results, comparing to benchmarks and best practice, evaluating efficiency of the process, controlling the variance and making adjustments to the process as necessary.

The lines between strategy formulation and implementation are constantly blurred. Traditional concept is that managers formulate strategies and then implement them. However in reality, thinking and action are almost inseparable. The link between strategy formulation and strategy implementation has remained problematic despite the increasing body of literature on both topics. The assumption that managers can plan strategy implementation at the top and cascade down through the organization is untenable. It should be recognized that how top managers conceive strategies is not the same way those lower down the organization conceive them (Johnson and Scholes, 2007). It is therefore important to relate the strategic direction to the every day realities of people in the organization. It is vital that middle level managers are engaged with and committed to such strategies so that they perform this translation process (Kazmi, 2002).

Beaudan (2001), highlights that managers must pay close attention not only to the substance of strategy, which they naturally do, but to how the bridge between strategy and implementation is built. This implies that managers must allow the input of others throughout the organization so as to properly seam a strategy that people will want to implement. It is important to engage people's emotions through involvement and their intellect by clarifying what is meant in the strategy. This strengthens the strategy before it is rolled out.

2.7 Challenges of Implementing Competitive Strategies

Numerous studies have noted the very weak relationship of strategy formulation to strategy execution. *Fortune* Magazine stated that "Less than 10% of strategies effectively formulated are effectively executed." Companies large and small worldwide spend billions of dollars each year on strategy formulation. A search of the World Wide Web using Google took less than 1/3 of a second to return more than 1.3 million hits on strategy consulting, ranging from the "Big 6" firms to boutique firms specializing in strategy. Interestingly, a similar search for strategy implementation consulting returned less than 500,000 hits. Even allowing for overlap this is a significant disconnect. If *Fortune* is correct, only one of ten companies that do an effective job of formulating strategy are doing equally effective jobs of implementing it. For the rest, presumably, the well-crafted strategy is lost in the press of day-to-day tactical concerns or is left to languish in a report on the CEO's bookshelf. Yet very few people would deny that, in today's fast-moving fast-changing business world, strategy, with its long-range perspective, is critical.

Thompson and Strickland (1989) state that good strategy implementation involves a strong fit between the way things are done internally and what it will take for the strategy to succeed. A series of tight fits must be created between strategy and organizations competencies, capabilities, policies, structure, budgetary allocation, internal support systems, the reward structure and the corporate culture. They further note that the challenge of implementing strategy comes from the multiplicity of tasks involved combined with the variety of ways to approach each task. Strategy implementation has to be tailored to the organizations overall setting, to the nature of the strategy and to the amount of strategic change involved.

Owen (1982) confirms that in practice there are four problems associated with successful implementation of strategy. He contends that at any time strategy and structure are need to be matched and supportive of each other. Products and services need to be managed independently, or in linked groups or business units, if they are to be matched closely and effectively with their environments. He states that structures can not be created and activated independently of the people involved; their individual skills may provide either opportunities or constraints. Secondly, he indicates that the information and communication systems are inadequate for reporting back and evaluating the adaptive changes which are taking place, and hence the strategic leader is not fully aware of what is happening. Hence the performance of the existing structure is not monitored properly, and as a result control mechanisms may be ineffective. Thirdly, implementing strategy involves change which in turn involves uncertainty and risks. Apart from new skills being necessary, managers may agree in meetings to make changes, but may be more reluctant in practice to implement them. Motivation of managers to make changes is therefore a key determinant. Finally, he states that management systems, such as compensation schemes, management development, communication systems and so on, which operate within the structural framework will have been developed to meet the need for past strategies. They may not be ideal for the changes which are taking place currently, and again it may be difficult to modify them continually. While strategy should be chosen in a way that it fit the organization structure, the process of matching the strategy is complex (Byars et al, 1996).

The McKinsey 7-S model is a widely discussed framework for viewing the interrelationship of strategy formulation and implementation. It helps focus managers' attention on the importance of linking the chosen strategy to a variety of activities that can affect implementation of strategy. It was originally developed as a way of thinking more broadly about the problems of organizing effectively, the 7-S framework provides a tool for judging the duality of strategies. According to it developers Tom Peters and Robert Waterman (1982), the framework suggests that it is not enough to think about strategy implementation as a matter only of strategy and structure as has been the traditional view as these notions are rather limiting. The McKinsey 7-S model should be thought of as a set of seven compasses. When the needless are aligned, then the company is organized and working effectively towards meeting its competitive strategies. The 7-S model can be used in a wide variety of situations where an alignment perspective is useful, to help improve the performance of a company, examine the likely effects of future changes within a company, align departments and processes during a merger or acquisition and to determine how best to implement a proposed strategy.

The McKinsey 7-S model involves seven interdependent factors which are categorized as either "hard" or "soft" elements. The hard elements are strategy- the plan devised to maintain and build competitive advantage over the competition, structure- the way the organization is structured and who reports to whom and systems -the daily activities and procedures that staff members engage in to get the job done while the soft elements are shared values -the core values of the company that are evidenced in the corporate culture and the general work ethic, skills- the actual skills and competencies of the employees working for the company, style- the style of leadership adopted and staff- the employees and their general capabilities. "Hard" elements are easier to define or identify and management can directly influence them: These are strategy statements; organization charts and reporting lines; and formal processes and IT systems. "Soft" elements, on the other hand, can be more difficult to describe, and are less tangible and more influenced by culture. However, these soft elements are as important as the hard elements if the organization is going to be successful.

The model is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. So, the model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment (and performance) during other types of change. Whatever the type of change - restructuring, new processes, organizational merger, new systems, change of leadership, and so on - the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration. In looking at challenges facing the implementation of competitive strategies, it is important to look at these seven elements and identify how they can hinder the execution of a firm's competitive strategy.

In strategy, there are no guarantees (Johnson and Scholes, 2002). One challenge a firm may face in the implementation of competitive strategy is in the quality of its leadership. Leadership is the ability to influence organisation members to adopt the behaviours needed for successful strategy implementation. Leadership includes persuasion, motivation and changes in corporate culture and values (Daft, 2000). Leadership can be defined as a dynamic relationship based on mutual influence and common purpose between leaders and collaborators in which both are moved to higher levels of motivation and moral development as they affect real or intended change (Rost, 1991). According to Daft (2000), if leaders let other employees participate during strategy formulation, implementation will be easier because managers and employees will already understand and be committed to the new strategy. In essence, leadership is used to motivate employees to adopt new behaviours and for some strategies, to infuse new values and attitudes. The challenge though is to get people who can lead an organization through major changes.

Daft notes that effective leadership has the ability to lead changes in the organizations mission, strategy, and culture as well as to promote innovation in products, services and technologies. Successful leaders do not rely solely on tangible rules and incentives to control specific transactions with followers. They focus on intangible qualities such as vision, shared values and ideas to build relationships, give larger meaning to diverse activities and find common ground to enlist followers in the change process (Reutner, 1991). A major concern of top management in implementing a strategy, particularly if it involves a major change, is that the right managers be in the right positions for the new strategy (Pearce and Robinson, 1998). Thus, one practical consideration in making key managerial assignments when implementing competitive strategy is whether to utilize current executives or bring in new personnel. This is obviously a difficult, sensitive and strategic issue that may mean failure or success of the competitive strategies a firm wishes to undertake.

Another challenge that faces the implementation of competitive strategy is the structural design of a firm. Every organization has a unique structure. An organizational structure is the reflection of the company's past history, reporting relationships and internal politics. Structure dictates how policies and objectives are established. Resource allocation of an organisation is dependent on the kind of structure the organisation has. There is no optimal organisation structure for a given strategy (Pearce and Robinson, 1998). The fundamental challenge therefore is the selection of the organization structure that controls that will implement the chosen competitive strategies effectively. According to Swartz (1985), successful strategies require properly matched organization structure. If an organization changes its strategy, it needs to make appropriate changes in its overall structural design.

Lack of understanding of strategy is one of the obstacles of implementation of competitive strategy. Rowe et al (1994) underscore the fact that the ideal situation is to reach a state in which everyone in the organization understands what they are to do and why. Aaltonen & Ikavalko (2001), indicate that though it is the only state in which implementation can be secured for an extended period of time, few organisations fully achieve it. The only way to ensure full realization of an organisations potential is for its managers to understand the organisations members well and for the organisations members to understand and believe in the plan fully. These authors affirm that organisations are composed of people and unless the managers can introduce a strategy in a way that leads people to accept and support it, the strategy is doomed to failure. Aosa (1992) observes that lack of compatibility between strategy and culture can lead to high organisational resistance to change and de-motivation which can in turn frustrate the strategy implementation. Therefore social change and involvement of human resources in the process is fundamental in implementation of competitive strategy.

Newman and Hergarty (1989) identified three challenges that firms face when applying competitive strategy. They are financial requirement, regulations imposed by the government and the ability of the company in the industry. Other challenges may arise from structural and economic barriers inherent in the industry, skills of staff, costly sources of funds, marketing abilities and changes in the customer's needs, economic condition and complexity of coordinating all the firms' activities in pursuit of agreed strategy (Grant, 2000). By applying the cost leadership strategy the firm faces challenges from other firms such as reduction of costs by other firms and as technology improves the competition may be able to leap frog the production capabilities thus eliminating the competitive advantage.

In summary, firms face various challenges in the implementation of competitive strategy. It is important for managers to realize that strategy formulation and implementation are intertwined. Therefore emphasis should be placed on making doing rather than planning only. Some of the impediments of execution include the longer time frames needed for execution; the need for involvement of many people in the execution process; poor or vague strategy; conflicts with the organizational power structure; poor or inadequate sharing of information; a lack of understanding of organizational structure, including information sharing and coordination methods; unclear responsibility and accountability in the implementation process; and an inability to manage change, including cultural change. Knowing implementation hazards is necessary but not sufficient. For successful implementation of competitive strategy to occur, managers need a model or a set of guidelines outlining the entire process and relationships among key decisions or actions. A "roadmap" is needed to help with the order of implementation decisions as managers confront obstacles and take advantage of opportunities (Rowe et al, 1994).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This study aimed at identifying the various competitive strategies adopted by Barclays Bank of Kenya Ltd and establishing the challenges it experiences in the implementation of its competitive strategies. This chapter gives details on how the researcher went about carrying out the research.

3.2 Research Design

The researcher selected to use the case study research design because it would enable her to have an in-depth understanding of the research problems. Mugenda and Mugenda (2003) state that by using the case study research design, a researcher is able to carry out a critical examination of a given phenomena and this involves an exhaustive study, investigation or experimentation following a logical process. The case study research design allowed a detailed contextual analysis and provided focused and valuable insight to the questions at hand. The method allowed the researcher to delve deeper into the how and why of the phenomenon under study.

3.3 Data Collection

The respondents in this study were selected from both the corporate and retail segments of Barclays Bank of Kenya Ltd. The bank operates through over 119 outlets, 12 sales centres and 231 ATM's countrywide. Barclays Bank's business units fall under two segments: Consumer Banking (Retail and Card Products and Services) and Corporate (Commercial and Treasury) despite the fact that the Corporate section is only made up of 15% of the banks employees, it contributes to at least 55% of the company's profits. The Corporate section has its main office in Nairobi but has corporate desks in four major cities in the country namely Kisumu, Mombasa, Nakuru and Eldoret. For this reasons the respondents included at least 14 key decision makers in managerial positions ranging from those who are involved in the formulation of competitive strategy to those who communicate the implementation of these strategies to other employees and at least 38 unionizable employees who are at the bottom of the ladder and who are charged with the responsibility of carrying out the orders management and who would provide valuable information on observations made and on the various competitive strategies adopted and their implementation challenges.

The study used primary data which was collected using semi-structured questionnaires (see appendix). The questionnaires were self administered and distributed to the respondents for collection later. The questionnaire has both closed and open-ended questions and is divided into three sections. Section one consists of general information. Section two has questions on competitive strategies adopted by Barclays Bank of Kenya Ltd. In this section the respondents were to tick either: Not at all (NAA) Little extent (LE) Moderate extent (ME) Great extent (GE) Very Great Extent (VGE) in the variety of items presented. Section three contains questions that address the challenges faced by Barclays Bank of Kenya Ltd in the implementation of competitive strategy. In this section also the respondents are to tick either Not at all (NAA) Little extent (LE) Moderate extent (ME) Great extent (GE) Very Great Extent (VGE) in the variety of items presented.

The questionnaire was developed from an extensive review of literature and was designed on the on the basis of the research questions, namely as to identify various competitive strategies adopted by BBK and the challenges facing the implementation of competitive strategies adopted by BBK Ltd in the face of increased competition. Completed questionnaires were collected directly from the respondents. This enabled the researcher to clarify any issues that were not clear to the respondents.

Secondary data was also collected by checking relevant information from company records such as financial statements, employee surveys and staff magazines. The researcher employed the services of a research assistant who analyzed the questionnaires so as to reduce bias since she works at Barclays Bank of Kenya Ltd- the organization being researched on.

3.4 Data Analysis

Data was analyzed both qualitatively and quantitatively. The data w as grouped into different categories depending on the responses given by the respondents in the closed and open ended questions in the questionnaires. Through the use of the Statistical Package for Social Sciences (SPSS) programme the data was analyzed using descriptive statistics such as percentages, means and frequencies. Spreadsheets were used to come up with appropriate tables for data presentation.

Content analysis was also used in analyzing the data. Content analysis can be defined as an overall approach and method and analytical strategy that entails the systematic examination of forms of communication to document patterns objectively (Marshall and Rossman, 1995). This method of analysis uses a set of categorization for making valid and replicable inferences from date to their context (Rubin and Piele, 1990). The technique was selected on the basis that subjecting the collected data to content analysis will allow the researcher to learn about the underlying attitudes, biases and repeating themes. Content analysis was based on analysis of meanings and implications emanating from the respondents information and documented data on the challenges facing strategy implementation. The data collected was qualitative requiring analytical understanding, rendering the approach appropriate.

CHAPTER FOUR : DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

The data was analyzed based on the objectives of the study and involved the use of descriptive statistics including frequencies, means and percentages. The information emanating from the analyzed data is herein presented in tabular and percentile forms for ease of understanding. The sections of this analysis are as per the questionnaire and include; a summary of respondents, the extent the employees are involved in the formulation of competitive strategy, the different strategies that BBK has used to remain competitive and the challenges BBK faces in the implementation of competitive strategies.

4.2 Information on the Respondents.

The following is a summary of the respondents who were selected for this study. Table 1 (a) below shows that 71% of the respondents are in unionizable positions while 27 % serve at the managerial positions. The researcher chose to have more unionizable respondents to ensure that the data would be reliable since they are in a position to provide valuable insight and their observations on what those who formulate strategy do, thus they would act as a check and balance for more reliable information.

Table 4.1 (a). Positions Represented

Position	Frequency	Percentage
Managerial	14	27
Unionizable	37	71
N/R	1	2
Totals	**52**	**100**

Table 1 (b) below shows that 63% of the respondents were from various sections of consumer banking while 37% were from the corporate banking section. The corporate banking section consists of 15% of the banks employees, however, it contributes to at least 55% of the company's profits. Corporate banking mainly deals with banking services that are tailor made for large firms while consumer banking deals with the banks retail customers and deals with individuals. The researcher felt that the distribution below was adequate to answer the research question adequately.

Table 4.1 (b). Sections Represented

Section	**Frequency**	**Percentage**
Consumer Banking	33	63
Corporate Banking	19	37
Totals	**52**	**100**

4.3 Extent of Employee Involvement in the Formulation of Competitive Strategy

The respondents were asked to say what extent they are involved in the formulation of competitive strategy. 50% said that they are not involved at all, 23% said they were involved to a little extent, 15% of the respondents are involved to a moderate extent, 8% and 4% of the respondents are involved to a great extent and very great extent respectively in the formulation of competitive strategy. From figure 1 below, it is clear that only a minority of the staff are involved in formulation of competitive strategy.

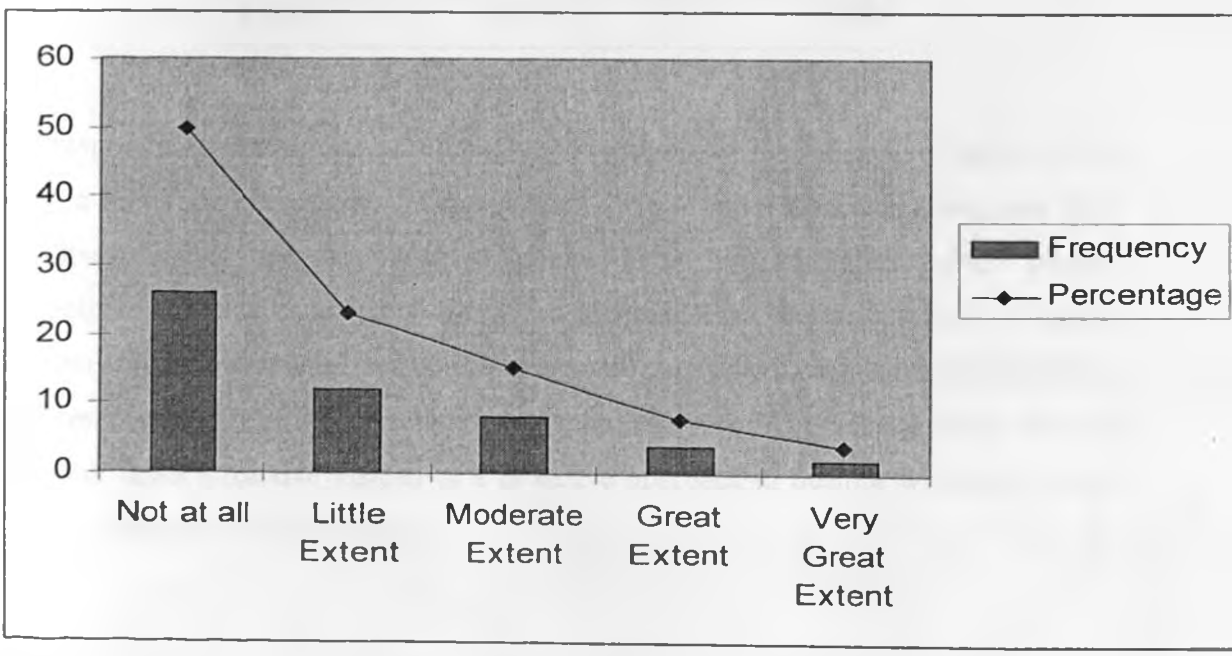

Figure 4.1: Employees Involvement in the Formulation of Competitive Strategy

4.4 Rating BBK in its Effort to Outsmart the Competition

The respondents were asked to rate BBK on a scale of one to five in its effort to out smart the competition. The findings in the table below clearly indicate that majority of the respondents feel that BBK was putting effort in outsmarting competition. Cleary the bank has put in some effort to at least match up to the competition though it is clear that it could do better as only 19.2% of the respondents rated its efforts to outsmart the competition as excellent. 36.5% of the respondents rated its efforts as very good and 26.9% of the respondents rated the banks efforts to outsmart the competition as good.

Table 4.2: BBK's Rating In Its Efforts to Outsmart The Competition

Scale	Frequency	Percentage
Poor	1	1.9
Fair	6	11.5
Good	14	26.9
Very good	19	36.5
Excellent	10	19.2
N/R	2	3.8
Total	**52**	**100**

The respondents were further asked to give the reasons for the rating they had given the bank in its efforts to outsmart the competition. 23% of the respondents never gave their responses to this question. Positive reasons given for the ratings given include competitive products, customers are well segmented thus the bank caters to diverse markets appropriately, enhanced operational controls, excellent customer care and quality services. Negative reasons given for the rating include poor IT infrastructure, the fact that the bank takes a reactive instead of a proactive approach to dealing with issues, rigid policies, and poor decision making.

4.5 Competitive Strategies adopted by BBK

The first objective of the study sought to identify various competitive strategies adopted by BBK. The respondents were asked the extent to which BBK has used various strategies to remain competitive in the market. The table below summarizes the respondents' responses. The strategies selected as foremost in order of rating include maintaining strong relationship customers (48.1%), world class customer service (42.3%), use of skilled and experienced employees (40.4%), diversity of organization culture (38.5%), wide coverage of the organization and wide range of products offered (32.7%) reputation for quality service and strength in marketing capabilities(30.8%).

Table 4.3: The extent to which BBK has used various competitive strategies to remain competitive

ITEM	NOT AT ALL	LITTLE EXTENT	MODERATE EXTENT	GREAT EXTENT	VERY GREAT EXTENT	NO RESPONSE
Maintaining strong relationship with customers	5.8	1.9	23.1	48.1	21.2	-
World class customer service	5.8	5.8	19.2	42.3	26.9	-
Low product and service costs	7.7	26.9	38.5	13.5	5.8	7.7
Skilled and experienced employees	3.8	7.7	11.5	40.4	28.8	7.7
Wide coverage of the organisation	1.9	11.5	21.2	32.7	26.9	5.8
Wide range of products offered	1.9	7.7	21.2	32.7	30.8	5.8
Innovative products and services	5.8	11.5	26.9	25	25	58
Reputation of quality service	1.9	9.6	21.2	30.8	28.8	7.7
Strength in marketing capabilities	3.8	13.5	28.8	30.8	17.3	5.8
Diversity of organisation culture	5.8	7.7	25	38.5	17.3	5.8
Superior Information systems	7.7	7.7	28.8	26.9	21.2	7.7
Good leadership	5.8	15.4	25	21.2	26.9	5.8

The respondents were asked to give their opinion on additional competitive strategies utilized by BBK to remain competitive in the banking industry. Majority (61.5%) did not give responses to this question however, the rest cited a very strong brand and international presence, intensive training of its employees, segmentation of customers and corporate social responsibility as additional strategies that BBK has employed over the years to remain competitive.

4.6 Challenges Faced in the Implementation of Competitive Strategy by BBK

The second objective of this research sought to establish challenges facing the implementation of the various competitive strategies adopted by BBK in the face of increased competition. The respondents were asked to indicate whether BBK faces different challenges in the implementation of competitive strategy. An analysis of the respondents' answers is summarized in table 4 below.

Table 4.4: Challenges Faced by BBK in the implementation of competitive strategy

ITEM	NOT AT ALL	LITTLE EXTENT	MODERATE EXTENT	GREAT EXTENT	VERY GREAT EXTENT	NO RESPONSE
High staff turn over	3.8	11.5	36.5	19.2	19.2	9.6
Government regulations	3.8	21.2	32.7	17.3	11.5	13.5
Poor leadership	5.8	19.2	40.4	13.5	7.7	13.5
Changes in customer tastes and preferences	-	13.5	32.7	21.2	21.2	11.5
Economic changes in the country	-	15.4	21.2	30.8	17.3	15.4
Increased competition within the industry	-	9.6	19.2	34.6	26.9	7.7
Changes in information technology	1.9	3.8	17.3	30.8	36.5	9.6
Imitation strategies by other banks	5.8	7.7	26.9	30.8	15.4	13.5
Internal politics	3.8	21.2	23.1	19.2	17.3	15.4
Lack of communication of competitive strategies	9.6	23.1	23.1	19.2	11.5	13.5
Poor/ Vague strategies	13.5	19.2	23.1	17.3	13.5	13.5

The challenges that were ranked highest are changes in information technology, increased competition within the industry, imitation strategies by other banks, economic changes in the country, poor leadership, high staff turn over, changes in customer tastes and preferences, and poor or vague strategies in that order. The respondents were asked to highlight other challenges other than the ones highlighted above that were hampering the implementation of competitive strategy by BBK. Since this was of particular importance to the researcher as it forms the core of the research, the researcher analyzed the responses from the managerial respondents and the unionizable respondents separately. Both respondents cited poor decision making as a challenge, bureaucracy in decision making, rigidity in internal policies, inadequate IT infrastructure, lack of employee motivation and customer perception towards the bank. The following charts summarize both the respondents' responses to this question

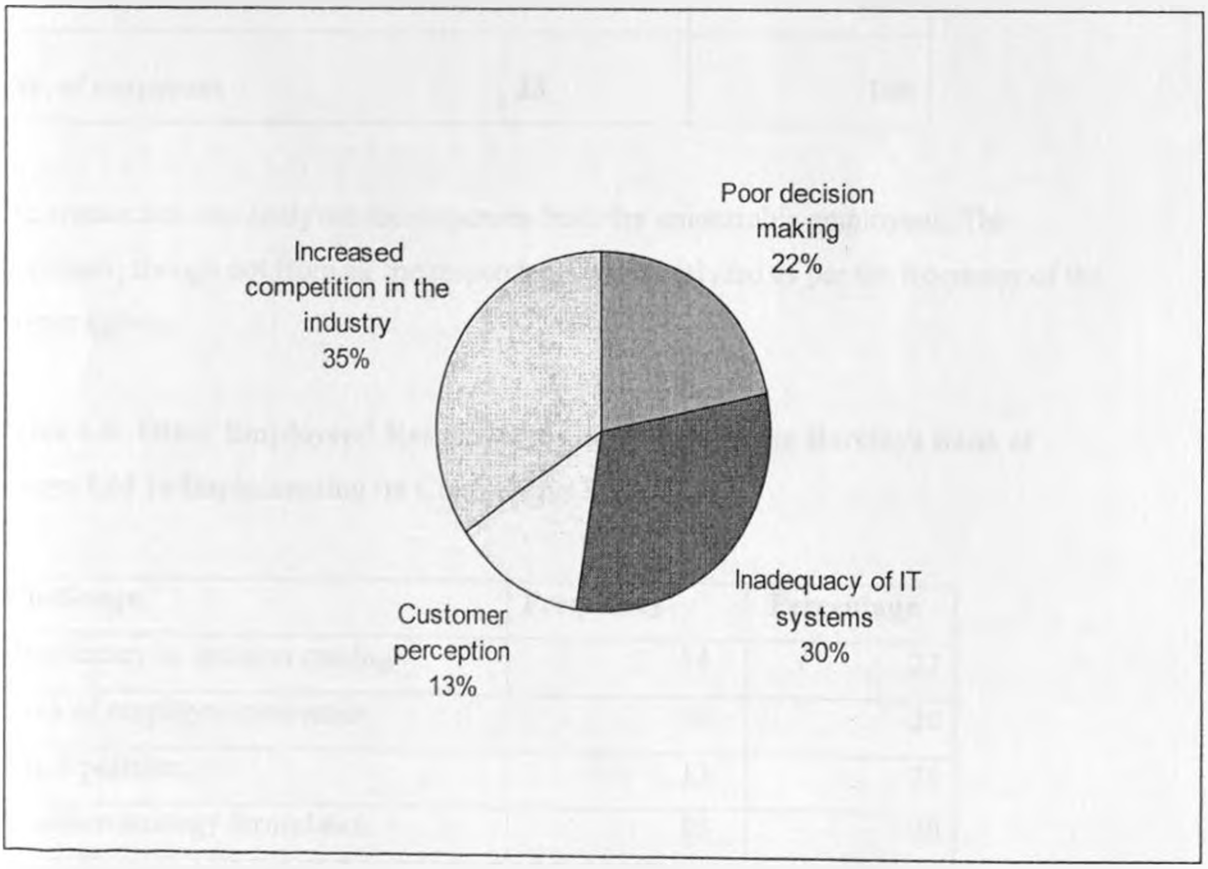

Figure 4.2: Managerial Responses to Challenges Facing the Bank in the Implementation of Its Competitive Strategies

From the chart above, the managers felt that increased competition presents a major challenge to the bank as it attempts to implement its competitive strategies. Inadequate IT systems, poor decision making and customer perception were also mentioned in that order. However, it should be noted that not all managers responded to this question. The researcher analyzed the frequency of the answers given as the table below shows

Table 4.5: Managerial Responses to Challenges Facing the Bank in the Implementation of Its Competitive Strategies

Challenge	Frequency	Percentage
Poor decision making	5	22
Inadequacy of IT systems	7	30
Customer perception	3	13
Increased competition in the industry	8	35
No. of responses	**23**	**100**

The researcher also analyzed the responses from the unionizable employees. The responses, though not from all the respondents were analyzed as per the frequency of the answers given.

Table 4.6: Other Employees' Responses to Challenges facing Barclays Bank of Kenya Ltd in Implementing its Competitive Strategies

Challenge	Frequency	Percentage
Bureacracy in decision making	14	27
Lack of employee motivation	10	20
Rigid policies	12	24
Reactive strategy formulation	10	20
Inadequacy of IT systems	5	10
No. of responses	**51**	**100**

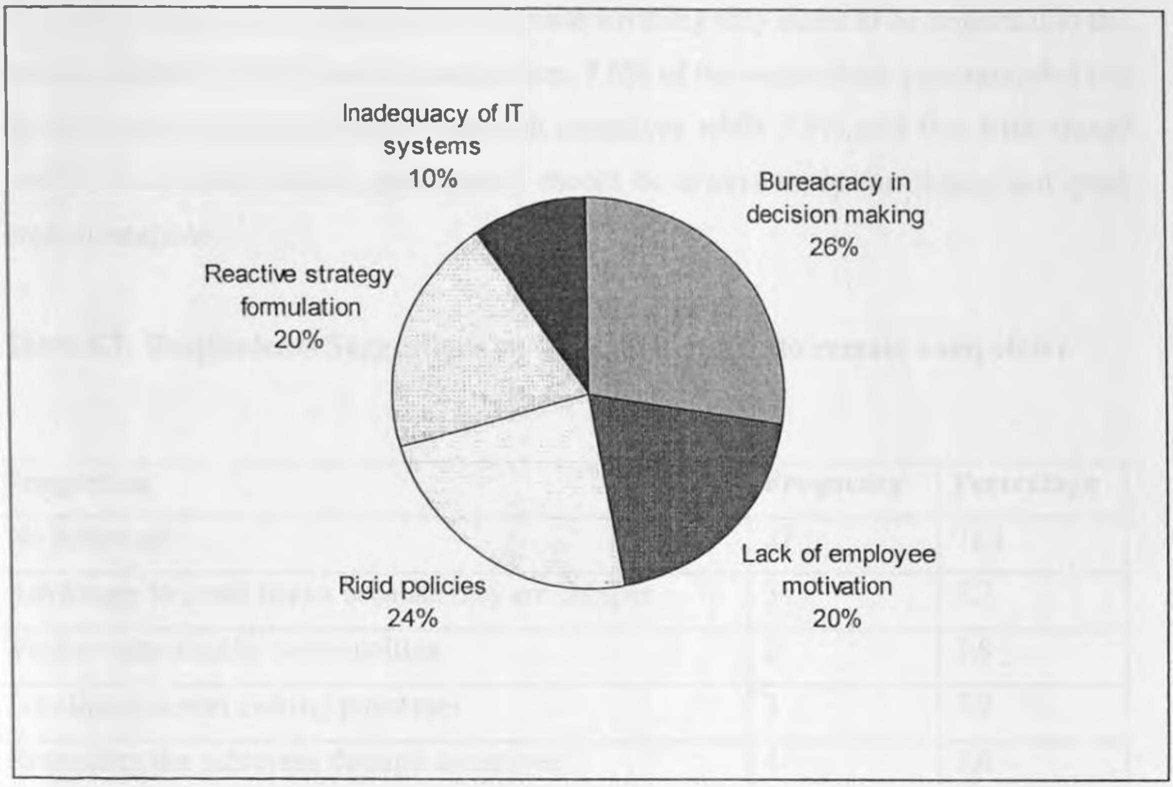

Figure 4.3: Other Employees Responses to Challenges Facing the Bank in the Implementation of Its Competitive Strategies

From the above charts it is clear that the feeling of management and unionizable employees is almost similar on the challenges facing the bank in the implementation of its competitive strategies. Topmost in both lists was decision making where each of the respondents looks at the challenge from a different perspective. Another challenge was the inadequacy of the IT infrastructure that the bank has put in place. IT forms the core of the business and if the system is inadequate of is outdated, then the bank cannot effectively meet the needs of its customers. From the research, both the managers and unionizable employees felt that their IT infrastructure presented a major challenge to the bank. Another challenge that was raised by the unionizable employees is that BBK takes a reactive approach to strategy formulation. This means that they react to changes in the market as opposed to setting the pace for others to follow. This is because the main leadership of the bank is based abroad thus decisions take long to implement thus forcing the bank to take a reactive approach to competition.

Finally the respondents were asked to indicate anything they deem to be important to this study in relation to BBK and its competition. 7.6% of the respondents recommended that the achievers should be rewarded through incentives while 5.7% said that BBK should localize its decision making processes/it should be always ready for change and quick implementations.

Table 4.7: Respondents Suggestions on what BBK can do to remain competitive

Suggestion	Frequency	Percentage
No Response	37	71.1
Advantage to small banks because they are cheaper	3	5.7
Venture into smaller communities	2	3.8
Localize decision making processes	3	5.7
Rewarding the achievers through incentives	4	7.6
Ready for change & quick implementations	3	5.7

Though most of the respondents did not give responses by making recommendations or suggestions on what the bank can do to improve its competitive position, it is important that those who will make use of this study consider the suggestions of the 30% who gave recommendations as the able above shows and from the ensuing findings.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Having stated the problem, reviewed the relevant literature, collected and analyzed data it is logical to summarize, conclude and make recommendations related to the challenges faced by BBK in implementing competitive strategies.

5.2 Summary

The main purpose of this study was to establish the challenges faced by BBK in implementing competitive strategies. To accomplish this, two research objectives were formulated namely to identify various competitive strategies adopted by BBK and to identify various challenges facing the bank in implementing its competitive strategies in the face of increased competition.

The first objective was to identify various competitive strategies adopted by BBK. It was clear from the findings that only a minority of the employees are actually involved in the formulation of competitive strategy. This is logical because as the literature review shows, for a firm to have a competitive advantage it has to have business strategies that improve the competitive position of its products and services. Sustainable competitive advantage is usually developed over time and is based on stability and continuity in relationships between different parts of an organization, which managers are in the best position to develop. They allocate resources, whether financial, human resources, time, technological support, communication and to build a conducive structure to sustainable competitive advantage. Since BBK is a major player in the banking sector, the researcher was able to review relevant literature identifying various competitive strategies it has adopted. It was clear from the findings from both primary and secondary data that the bank bases its competitive strategies on the differentiation strategy.

The competitive strategies that stood out included but were not limited to segmentation of customers, maintaining strong relationship with customers, world class customer service, low product and service costs, skilled and experienced employees, wide coverage of the organisation, wide range of products offered, innovative products and services, reputation for quality service, strength in marketing capabilities diversity of organisation culture, having a very strong brand and international presence, intensive training of its employees, segmentation of customers and corporate social responsibility.

The second objective of the study sought to establish the challenges facing the implementation of the competitive strategies adopted by Barclays Bank of Kenya Ltd in the face of increased competition. The findings indicated that increased competition within the industry coupled with poor leadership presented a major challenge for the bank. Most managers felt that since decision are made abroad, then it is hard to make adequate decision that affect the banks competitive position, while the unionizable employees felt that decision making is slow as managers have to get approval from their parent company thus creating an avenue which the competition can explore to outsmart BBK. The unionizable employees also felt that the decision making was bureaucratic and that policies are rigid. Another challenge that was ranked highly was changes in information technology and inadequacy of the banks information systems. With customers need changing all the time and with IT systems being upgraded every so often, it is essential for banks to keep up to date with the changing trends so as to adequately meet customer expectations. An effective IT system can serve to set one bank apart from another as the more efficient a system is, the more customer service is enhanced.

As Michael Porter (1985), recommended in his theory of competitive advantage, firms need to pursue a generic strategy, which can be done by identification of a particular customer segment or geographical market and coming up with products suitable for that segment. The bank may thus be able to differentiate itself based on meeting customer needs or they may be able to achieve lower costs within limited markets. Focus strategies are most effective when customers have distinctive preferences or specialized needs. Therefore the bank would progressively scan the market and come up with new and innovative products or service before any of its competitors come up with the same and continuously doing away with outdated products. This way, they would be able to gain and sustain competitive advantage.

5.3 Recommendations

Based on the conclusions of this study, the researcher would recommend that to sustain its competitive advantage, BBK should strive to strengthen its bases by continuing to focus on its differentiation strategy which it has effectively used over the years. In particular, its Barclaycard business and its segmentation of retail clients have been as source of competitive advantage. Secondly, it should improve its decision making processes which stood out as a major challenge that the bank is facing. Though the bank is foreign owned, it should empower its local manager to come up with competitive strategies as they are the ones who are in the best position to make decision that affect the local market. In so doing, it will enable the bank to take a proactive approach to decision making and open up opportunities to take advantage of the growing market in the banking industry.

Thirdly, employees play a major role in developing an organisations image and in retaining its customers, therefore the firm should seek ways of retaining and motivating its staff, more so since it is in the service industry where customers meet employees and form an opinion about the bank based on their interaction with the banks employees. It goes without saying that employees have the potential to be powerful ambassadors for their organisation, yet it's all too easy for frontline employees to become disconnected from the business's strategy and direction. Ensuring staff understand where the organisation is going, its promise to customers and how they can help deliver this is vital as these is passed on to customers whether actively or passively.

5.4 Suggestions for Further Research

Research is one of the central areas in the development and sustainability of knowledge. Without it, the role of that knowledge will be rendered obsolete due to the ever-emerging challenges resulting from socio-political changes and modernization processes.

Given the study objectives, constraints in terms of time, funds and the nature of the problem under study, it was not possible to explore certain related areas. I therefore suggest that a similar study be done in other commercial banks for comparative purposes. In addition, this research was limited in scope as it was confined to only 52 respondents. Another study can be conducted with a much bigger sample to verify the results that have been found. A related study could be carried in other counties within the east African community to find out if with a view of establishing the extent to which the present findings can be generalized. Lastly, a study could be conducted to shed light on decision making in foreign owned banks in Kenya.

5.5 Limitations of the Study

Although the research has reached its aims, there were some unavoidable limitations. First, because of time and budget constraints, this research was conducted only on a small size of respondents in comparison with the entire organization. Therefore to generalize the results for larger groups, the study should have involved more participants at different levels. In addition, when interviewing members of senior management and while seeking written permission to carry out the research, they were guarded and were not willing to commit themselves. Finally, use of closed ended questions can be considered subjective as responses are determined by the respondents' frame of mind at that particular point in time or on their experiences and their relationship with the bank. However, both closed ended questions gave an opportunity for the respondents to justify their answers.

5.6 Implications on Policy and Practice

This research has shed light on competitive strategies that Barclays Bank of Kenya faces in the face of increased competition and the challenges facing it in the implementation of its competitive advantage. While most of the challenges that were identified are industry wide, this research has reaffirmed Porter's theory of competitive advantage which gives three generic strategies for achieving above average industry performance, namely, cost leadership, differentiation and focus. The focus strategy has two variants, cost focus and differentiation focus.

Since the liberal economy and forces of globalization, coupled with developments in the business environment have made competition stiff in the banking industry in Kenya with each player stepping up their efforts to garner a sizeable market share, it has become imperative for players to come up with strategies that call for strong product and service offerings, better customer service and increased innovation to counter the stiff competition in the industry. It is therefore vital and inevitable for each player to be aggressive in its competitive endeavors by crafting appropriate competitive strategies and increasing their defensive position so as to sustain their competitive advantage. However, since the challenge commercial banks face is the fact that the services offered are more or less similar differentiation is the key to success. Now, more than ever, customer knowledge provides the path to growth in banking. The key to creating a sustainable competitive advantage lies in a bank's ability to harness critical customer insights, which only that bank has about the customer, and then to act on that knowledge in ways that create intimacy with the customers who matter most. A strategy that Barclays Bank of Kenya should exploit by making use of the recommendations put forth in this research.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

The information provided here will be used for academic purpose and will be treated with maximum confidentiality.

PART A: GENERAL INFORMATION

1) Section (tick one)

Retail ☐

Corporate ☐

2) Position ______________________________(indicate position)

3) Location ____

PART B: COMPETITIVE STRATEGIES

Competitive strategies comprise of all those moves and approaches that a firm has and is taking to attract buyers and to withstand competitive pressure as well as to improve its market position. The objective of a competitive strategy is to generate a competitive advantage, increase the loyalty of customers and to beat competitors.

1. To what extent are you involved in the development of competitive strategy (Please tick where appropriate)

Not at all ☐ Little Extent ☐ Moderate extent ☐ Great extent ☐ Very Great extent ☐

2. On a scale of 1 to 10, where would you rate Barclays Bank of Kenya Ltd in its efforts to outsmart the competition? ☐

Why?

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3. Indicate the extent to which Barclays Bank of Kenya Ltd has used the following strategies to remain competitive (Please tick where appropriate)

a. Not at all

b. Little Extent

c. Moderate extent

d. Great extent

e .Very Great extent

	a	b	c	d	e
Maintaining strong relationship with customers					
World class customer service					
Low administration costs					
Skilled and experienced employees					
Wide coverage of the organisation					
Wide range of products offered					
innovative products and services					
Reputation of quality service					
Strength in marketing capabilities					
Diversity of organisation culture					
Superior Information systems					
Good leadership					

4. Other than the ones listed above, what additional strategies does Barclays Bank of Kenya Ltd employ?

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PART C: CHALLENGES FACED IN IMPEMENTATION OF COMPETITIVE STRATEGY

There has been unprecedented competition on the global business environment brought about by fundamental forces of change. The Kenyan environment has not been exempt from what the global scene is experiencing. Markets, consumers, competitors and technology are constantly changing that it is not possible to predict what will happen and/or when it will happen.

1. To what extent has Barclays Bank of Kenya Ltd faced the following challenges the implementation of competitive strategy?

a. Not at all

b. Little Extent

c. Moderate extent

d. Great extent

e .Very Great extent

	a	b	c	d	e
High staff Turnover					
Government Regulations					
Poor leadership					
Changes in customer tastes and preferences					
Economic changes in the country					
Increased competition within the industry					
Changes in information technology					
Imitation strategies by other Banks					

2. In your own opinion what other problems are hampering the successful implementation of competitive strategies by Barclays Bank of Kenya Ltd

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3. Do you have any other comments that you deem to be important to this study?

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Thank you for your cooperation

APENDIX II: LIST OF BANKS IN KENYA

African Banking Corporation, Nairobi

Bank of Africa Kenya, Nairobi

Bank of Baroda, Nairobi

Bank of India, Nairobi (foreign owned)

Barclays Bank of Kenya, Nairobi *(listed on NSE)*

CFC Stanbic Bank, Nairobi *(listed on NSE)*

Charterhouse Bank Ltd, Nairobi

Chase Bank Ltd, Nairobi

Citybank, Nairobi (foreign owned)

City Finance Bank, Nairobi

Co-operative Bank of Kenya, Nairobi

Commercial Bank of Africa, Nairobi

Consolidated Bank of Kenya Ltd, Nairobi (Government owned)

Credit Bank Ltd, Nairobi

Development Bank of Kenya, Nairobi

Diamond Trust Bank, Nairobi

Dubai Bank Kenya Ltd, Nairobi

Ecobank Kenya, Nairobi (Foreign owned)

Equatorial Commercial Bank Ltd, Nairobi

Equity Bank, Nairobi

Family Bank, Nairobi

Fidelity (Commercial) Bank Ltd, Nairobi

Fina Bank Ltd, Nairobi

First Community Bank Ltd, Nairobi

Giro Commercial Bank Ltd, Nairobi

Guardian Bank, Nairobi

Gulf African Bank Ltd, Nairobi

Habib Bank A.G. Zurich, Nairobi (foreign owned)

Habib Bank Ltd, Nairobi (foreign owned)

Housing Finance Co. Ltd, Nairobi (Government owned) *(listed on NSE)*

Imperial Bank, Nairobi

I&M Bank Ltd (former Investment & Mortgages Bank Ltd), Nairobi

K-Rep Bank Ltd, Nairobi

Kenya Commercial Bank Ltd, Nairobi (Government owned) *(listed on NSE)*

Middle East Bank, Nairobi

National Bank of Kenya, Nairobi (Government owned)

National Industrial Credit Bank Ltd (NIB Bank), Nairobi *(listed on NSE)*

Oriental Commercial Bank Ltd, Nairobi

Paramount Universal Bank Ltd, Nairobi

Prime Bank Ltd, Nairobi

Southern Credit Banking Corp. Ltd, Nairobi

Standard Chartered Bank , Nairobi *(listed on NSE)*

Trans-National Bank Ltd, Nairobi

UBA Kenya Bank Ltd., Nairobi

Victoria Commercial Bank Ltd, Nairobi

(*Source*: Central Bank of Kenya, 2009)

APENDIX III: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 29/11/2010

TO WHOM IT MAY CONCERN

The bearer of this letter NYAMAO ANNETTE MORAGWA

Registration No: D61/70505/2008

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM