

**STRATEGIES ADOPTED BY LIBERIAN BANK FOR
DEVELOPMENT AND INVESTMENT TO GAIN COMPETITIVE
ADVANTAGE**

BY

DAVID PAYE GUINKPA

**A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT FOR THE REQUIREMENT OF THE AWARD OF
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION,
SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.**

OCTOBER, 2013

Declaration

This research project is my original work and it has not been submitted for examination to any other university.

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

DAVID PAYE GUINKPA

D61/67103/2011

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

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

DR. JOHN YABS, PhD.

Lecturer

Department of Business Administration

School of Business

University of Nairobi

Acknowledgements

I would like to first express my thanks to the Almighty God for giving me the opportunity and ability to complete this research work.

My profound thanks and appreciation goes to my supervisor, Dr. John Yabs for the effective guidance, useful comments and encouragement throughout the research. I am also grateful to Dr. Zachary B. Awino for his helpful comments and criticism that have improved the arguments in this work.

My special thanks go to the management of the Liberian Bank for Development and Investment especially Ms Gloria Menjor, General Manager and Mr. Francis Jumah Senior Vice President/Internal Control for helping me with the requisite data in carrying out my research. My appreciation also goes to Mr. Joshua A. Davis for his tireless effort in helping me collect data.

My appreciation goes to my boss, Ms. Barbara J. Jacobsen for her unwavering support for my pursuit of higher education. I am also grateful to all who assisted in making this work possible especially my friends Anne Mukure and Zuoh Yreah. I appreciate you more than you know.

Dedication

I dedicate this project to my parents, Mr. David N. Guinkpa and Dorothy Kou Yeanay and my wife, Dormawah Massaquoi for your overwhelming moral support, patience and encouragement.

Abstract

Most businesses find themselves in highly competitive environment coupled with uncertainty and volatility. The need to remain profitable in such environments vis-à-vis the increased competition in the banking industry has necessitated industry players to formulate, implement and evaluate strategies that will guarantee competitive advantage. An organization choice of competitive strategies must lead to competitive advantage. The research study sought to establish the strategies adopted by Liberian Bank for Development and Investment to gain competitive advantage. A case study approach was deemed to be most appropriate in attaining the objective of the research. Members of the top management of Liberian Bank for Development and Investment served as respondents through an interview. The data collected was used as primary data. It was revealed through the findings that the Liberian Bank for development and Investment use a number of strategies to gain competitive advantage. Key amongst the strategies adopted was differentiation, focus and low cost strategies. The bank has been able to compete and hold competitive advantage from the strategies it has adopted. It was recommended amongst other that the creation of a marketing department to market the bank's product, the development of strategies that will lead to sustained competitive advantage and encouraging investors into its development banking sector were paramount for the bank to remaining a market leader.

TABLE OF CONTENTS

Declaration.....	ii
Acknowledgements	iii
Dedication	iv
Abstract.....	v
List of Tables	ix
Abbreviations and Acronyms	x
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study	1
1.1.1 Concept of Strategy	2
1.1.2 Competitive Strategies.....	3
1.1.3 Competitive Advantage	4
1.1.4 Commercial Banking in Liberia	4
1.1.5 Liberian Bank for Development and Investment	5
1.2 Research Problem	6
1.3 Research Objectives.....	7
1.4 Value of the study	8
CHAPTER TWO: LITERATURE REVIEW.....	9
2.1 Introduction.....	9
2.2 Theoretical Foundation	9
2.2.1 Resource Based View Theory	9
2.2.2 Game Theory	10
2.3 Industry Competition Models	11
2.4 Strategy and Competitive Advantage	12
2.5 Competitive Strategies	13
2.5.1 Approaches to Competitive Strategies	14
2.5.2 Competitive Terrain.....	16

2.6	Summary	17
CHAPTER THREE: RESEARCH METHODOLOGY		19
3.1	Introduction.....	19
3.2	Research Design.....	19
3.3	Data Collection	19
3.4	Data Analysis	20
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS		21
4.1	Introduction.....	21
4.2	General Information.....	21
4.2.1	Ownership.....	21
4.2.2	Branch Demography.....	22
4.2.3	Staff Demography.....	22
4.3	Strategies Adopted by LBDI to Gain Competitive Advantage.....	22
4.3.1	Marketing Strategies.....	22
4.3.2	Growth and Expansion Strategies.....	24
4.3.3	Financing Strategies	25
4.3.4	Human Resource Strategies.....	26
4.3.5	Communication and Information Technology Strategies.....	27
4.3.6	Customer Care and Operations Strategies	28
4.4	Discussion of Findings.....	28
4.4.1	Comparison with the Theory	28
4.4.2	Comparison with other Empirical Studies.....	30
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ..		32
5.1	Introduction.....	32
5.2	Summary	32
5.3	Conclusion	34
5.4	Implication of the Study.....	35

5.5	Limitations of the Study.....	35
5.6	Suggestions for Further Research	36
5.7	Implication on Policy, Theory and Practice.....	36
	REFERENCES.....	38
	APPENDICES.....	41
	Appendix – 1: Letter of Introduction	41
	Appendix – 2: Interview Guides	42
	Appendix – 3: List of Commercial Banks in Liberia.....	43
	Appendix – 4: List of LBDI Branch Network.....	44

List of Tables

Table 4.1: Ownership Structure

Table 4.2: Line of Credit

Abbreviations and Acronyms

ABLL	Access Bank Liberia Limited
ATM	Automated Teller Machine
CBL	Central Bank of Liberia
CDC	Commonwealth Development Corporation
DEG	Deutsche Investitions-und Entwicklungesllchaft
EBID	Ecowas Bank for Investment and Development
EBLL	Ecobank Liberia Limited
ECOWAS	Economic Community of West African States
EIB	European Investment Bank
FIBLL	First International Bank Liberia Limited
FPCO	Firestone Plantation Company
GAFD	Groupe Agence Francais de Development
GBLL	Global Bank Liberia Limited
GTBLL	Guaranty Trust Bank Liberia Limited
IBLL	International Bank Liberia Limited
IFC	International Finance Corporation
LAMCO	Liberia-American-Swedish Minerals Company
LBDI	Liberian Bank for Development and Investment
MIC	Magnus Investment Corporation
SMS	Short Messaging Service
SUSU	Merry-go-round fund raising group
UBALL	United Bank of Africa Liberia Limited
UBS	Universal Banking System
YEP	Young Entrepreneur Program

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategies can be traced as far back as pre-historic times. Humans learned to develop strategies in hunting and food gathering as their environment changed. According to Mintzberg et al. (2003) these accumulated into successful and unsuccessful life-and-death strategies converted into wisdom and guidance for the future were coded, tested until a coherent body of principles emerged. These were further refined by the likes of Sun Tzu, Machiavelli, Napoleon, etc. Every organization faces some form of competition in its existence. These competitions are brought about by forces in the organization external environment. For an organization to remain profitable and survive the continuous and rigorous competition faced, it has to adopt strategies that aim at giving it the competitive advantage over its rival. Developing a strategy is very important to an organization. A strategy of a corporation forms a comprehensive master plan that states how the corporation will achieve its mission and objectives. It maximizes competitive advantage and minimizes competitive disadvantage. Wheelen and Hunger (2012). Basically, this is where the organization wants to be in the long term.

The strategies that organizations employed in order to gain competitive advantage over their rivals are anchored on number of theories. The resource based view theory focuses on how well organizations have created a set of distinctive competences and resources that are significantly different from those of its competitors. Successful corporate strategy is based on identifying those resources that enable a firm to build system wide advantage among its business in ways that other firms cannot readily imitate or duplicate. Robert and David (2006). The corporate strategy will be successful only to the extent that the organization possesses and leverages those resources such as assets, skills, technologies and capabilities that share a number of important characteristics. The strategy a firm pursues cannot be decided without taking into account the current strategies and likely future strategies of competitors. A firm's strategy must be determined at least in part by the need to respond to competitors' strategies and it will in turn influence the strategies that competitors pursue. Game theory is the branch of economics that analyze incentives

for competition and cooperation between interacting parties and ways in which each party may seek to optimize achievement of its goals through its interaction with another party. Sanchez and Heene (2004).

Commercial banks in Liberia as with banks around the global play a vital role in the economy. They serve as a trusted and safe place where funds of people and businesses can be kept on their behalf, reducing the necessity to keep large sums of money on the private or business premises. Commercial banks in Liberia provide homogenous services which include deposit taking, internet banking, Automated Teller Machine services, etc. leading to intense competition. The competition in Liberia is mainly between Ecobank, International Bank and Liberian Bank for Development and Investment. The entry of Nigerian banks Guaranty Trust and United Bank of Africa has only served to increase the competition among the existing commercial banks in Liberia. The Liberian Bank for Investment and Development is one of the leading commercial banks in Liberia. It has the most extensive retail distribution network in Liberia and the largest bank by equity value (book value). The bank has to develop strategies that will enable gain competitive advantage over its rivals.

1.1.1 Concept of Strategy

Strategy is found in virtually all fields of study. The concept surrounding strategy is multi-dimensional. The concept of strategy cannot be narrowed to a single definition of strategy. Strategy is defined as a set of related actions that managers take to increase their company performance. Hill and Jones (2010).

A strategy can be either formal or informal. A formal strategy refers to the extent to which roles in or contributions to corporate strategic planning are structured into the organization of the planning process and the activities of the persons involved are governed by explicit procedures. The formulation of strategy as defined by Wheelen and Hunger (2012) is the development of long range plans for the effective management of environmental opportunities and threats, in light of corporate strength and weaknesses. It includes defining the corporate mission, specifying achievable objectives, developing strategies and setting policy guidelines.

It is evident from the above that formal strategy is contingent upon the deliberateness and conspicuous amount of time spent in planning on a part of an organization. It has to be an identifiable process, well documented and communicated through the width and breadth of the organization. It is evident that the lack of formal strategy spells doom for any organization. The organization will in effect lack the direction, sense of purpose to achieve its missions and will be found wanting in gaining competitive advantage.

1.1.2 Competitive Strategies

Competitive strategy is a deliberate action. It is an organization's ability to choose a different set of activities to provide a unique mix of value in order to gain competitive advantage over its rivals. A company's competitive strategy, deals exclusively with the specifics of management's game plan for competing successfully – its specific efforts to please customers, its offensive and defensive moves to counter the maneuvers of rivals, its responses to whatever market conditions prevail at the moment, its initiatives to strengthen its market position, and its approach to securing a competitive advantage vis-à-vis rivals. Thompson, Strickland, and Gamble (2007). Competitive strategy is concerned with seeking competitive advantage in markets at the business level or in the public services, providing best value services. It needs to be considered and defined in terms of strategic business units. Johnson, Scholes, and Whittington (2008). The competitive strategies employed by an organization are not general in terms. They tend to be more specific to individual organizations. Organizations employ these strategies in order to gain and maintain competitive advantage.

Porter (1985) breakdowns competitive strategies in three areas namely: cost leadership, differentiation and focus (market segmentation). The above three can further be simplified into five generic competitive strategies: low cost provider strategy, broad differentiation strategy, best cost provider strategy, focused strategy based on low cost and focused strategy based on differentiation. An organization will have to choose one or more of the above strategies as a move to beat the competition. According to Capon (2008), Porter's three competitive strategies center on two issues: the scope of the market to be served and the basis of competition. The scope of the market can be either broad or narrow. In terms of the basis, the market can be cost basis or valued added basis.

1.1.3 Competitive Advantage

The organization choices of competitive strategies must lead to competitive advantage. A company is said to have competitive advantage over its rivals when its profitability is greater than the average profitability and profit growth of other companies competing for the same customers. Hill and Jones (2010). A sustained competitive advantage leads to higher profit growth than that shown by rivals. Hill and Jones further argued that competitive strategies are based on distinctive competencies. Distinctive competencies are those firm specific strengths that allow a company to differentiate its products from those offered by rivals and/or achieve substantially lower costs than its rivals.

Over the years, organizations tend to gain competitive advantage by providing their customers with better services more effectively than their rivals. Additionally, the provision of such services maybe significantly different from what their competitors are providing. This is enshrined in the deliberate and conscious effort to perform sets of actions differently in a unique value mix. Organizations are increasingly becoming more aggressive in their product offerings by developing and implementing competitive strategies that are aimed at providing competitive advantage at the same time putting in place mechanism to put off competition and maintain its competitive advantage.

1.1.4 Commercial Banking in Liberia

There are currently eight commercial banks in Liberia. They are Liberian Bank for Development and Investment (LBDI), Ecobank Liberia Limited (EBLL), International Bank Liberia Ltd (IBLL), Global Bank Liberia Limited (GBLL), First International Bank Liberia Limited (FIBLL), United Bank of Africa Liberia Limited (UBALL), Access Bank Liberia Limited (ABLL) and Guaranty Trust Bank Liberia Limited (GTBLL). The commercial banking sector is regulated by the Central Bank of Liberia (CBL). The CBL lays down regulatory policies that have to be adhered to by commercial banks.

The commercial banks in Liberia play a significant role in the national development process in terms of size and its intending implications for competition and access to finance from banks, the establishment of specialized banks, and the modernization, processes and kinds of banking services they provide to customers. Although the banking

sector has shown steady growth in recent years, it remains challenged by low profitability. This is due to several factors, including high loan provisions associated with poor quality of collateral assets, high operating costs and limited financial instruments for investing excess liquidity. Additionally, there is no effective credit rating system, and many firms lack the business records necessary for credit approval. The above lead banks to be in continuous competition with each other considering the homogenous nature of their product offering. CBL (2012).

1.1.5 Liberian Bank for Development and Investment

The Liberian Bank for Development and Investment was created by an Act of the National Legislature in 1961 under the joint initiative of the Liberian Government and major international financial institutions who purchased equity in the Bank namely: International Financial Corporation (IFC), Commonwealth Development Corporation (CDC), Capital Partners, European Investment Bank (EIB), Groupe Agence Francais de Development (GAFD), and Deutsche Investitions-und Entwicklungesllchaft (DEG). Also included were over one hundred and fifty private Liberians, other international and local institutions. Foreign shareholdings and local shareholdings stands at 56.68% and 43.32% respectively. Liberian Bank Development and Investment is predominantly a privately owned institution under private management and a Board of Directors elected annually by its shareholders. The Bank commenced operations in 1965 as Liberian Bank for Industrial Development and Investment. Under an amendment in 1974, the name was changed to Liberian Bank for Development & Investment (LBDI). A further amendment in 1988 allowed the Bank to engage in commercial banking activities, to complement its development objectives LBDI (2011).

The Liberian Bank for Investment and Development as one of the leading commercial banks in Liberia it has the most extensive retail distribution network in Liberia and the largest bank by equity value (book value). The bank has to develop strategies that will enable it gain competitive advantage over its rivals. IBL (2007).

1.2 Research Problem

Strategy is a set of related actions that managers take to increase their company performance. Hill and Jones (2010). The strategies that an organization adopts set a guide to the future of the organization, how it will achieve its missions and objectives. These strategies adopted maximize competitive advantage and minimize competitive disadvantage. A company is said to have competitive advantage over its rivals when its profitability is greater than the average profitability and profit growth of other companies competing for the same customers. Hill and Jones (2010). The competitive advantage an organization gain can be attributed to the provision of goods and services to its customers in a significantly different and better way than their competitors.

The banking system in Liberia is a very competitive one with commercial banks offering basically the same service to roughly a few thousand of bankable population. It is important to note that the banking sector has experienced and is still faced with challenges in staying profitable and competitive. Some of these challenges are results from the fourteen years of civil unrest. Chief among these challenges are the disruption of economic activities during the war, weak infrastructure and low banking culture among the population largely due to the burgeoned informal sector (Poverty Reduction Strategy, 2008). These challenges are making banks less profitable. For instance Liberia has the highest non-performing loan in the entire sub-region. Citing the above, it has become increasingly important for banks in Liberia to develop strategies that enable them to remain profitable. These banks have to engage in strategic planning to gain much need competitive advantage. With the competition being cutthroat, Liberian Bank for Development and Investment has adopted competitive strategies that are intended to keep it ahead of its rivals. The strategies are marketing strategies, growth and expansion strategies, financing strategies, human resource strategies, communication and information technology strategies and customer care and operations strategies.

Numerous studies have been conducted on different competitive strategies but under different context. Al-Awadh (1996) in his study *Competitive Strategies and Barriers to achieving competitive advantage: A study of two Saudi Arabian Industries* seek to develop a better understanding of competitive advantage and generic strategies, as well as

the important aspects that may affect a firm's achievement and the sustainability of its competitive advantage. A study conducted by Wiggins (1997), *Sustaining Competitive Advantage: Temporal Dynamics and the Rarity of Persistent Superior Economic Performance* focused on whether superior economic performance persists over time, in a manner consistent with sustained competitive advantage. Pahujan and Dalal (2012) in their study *Achieving Competitive Advantage through HR Practices: A Case Study* examined how the State Bank of India gained and sustained competitive advantage through its employees and HR practices. Gathogo (2001) in his study on *Competitive Strategies Adopted by Commercial Banks in Kenya* focused on commercial banks in Kenya and the strategies they have adopted. Mwangi (2009) in his study on *Competitive Strategies Adopted by Zain Kenya Limited* established a competitive advantage for Zain in its bid to remain competitive in the niche market. Varmah (2012) in his study *Competitive Strategies adopted by Aga Khan University Hospital in Nairobi, Kenya and Challenges faced in the Implementation* examined the competitive strategies adopted by Aga Khan Hospital and the challenges they faced in the implementation.

It is important to note that Kenya has a vibrant banking industry as compare to Liberia. There has not been a conclusive study on the competitive strategies adopted by commercial banks in Liberia. This study threw light on the strategies adopted by Liberia Bank for Development and Investment in order to maintain a sustainable competitive advantage in the growing banking sector in Liberia.

This research work will attempt to answer the following question:

What are the competitive strategies adopted by commercial banks in Liberia with emphasis being placed on Liberian Bank for Development and Investment and the effectiveness of these strategies in helping the banking competitive advantage over its rivals?

1.3 Research Objectives

This research objective of this study was to determine the strategies adopted by Liberian Bank for Development and Investment to gain competitive advantage.

1.4 Value of the study

This research work will contribute knowledge to the existing literature which will be a useful reference point to scholars, academicians and researchers. This will help them identify areas of future research study and the development of strategic thinking within the African context. The research work will additionally support the assertions by various strategic scholars on game and the resource based view theories that their uses are important to an organization remaining competitive.

The study will be of benefit to Liberian Bank for Development and Investment to improve their economic performance in a strong competitive market. It can be adopted by the management of other banking institution to enhance their existing strategies which can lead to sustained competitive advantage. The findings can also be used as a policy tool for regulatory bodies to foster fair competition in the industry.

The research work can be used by management to evaluate the performance of the bank to capture the changing market trends due to the strong competition in the market. It will be used by banking institutions to uphold successful entrepreneurial management skills towards achieving the firm's objective in a competitive market.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter explores the theoretical framework upon which the competitive strategies adopted by commercial banks rest on. It seeks to identify and analyze competition in an industry, the concept of strategy, competitive strategies and competitive theories expounded by scholars. Materials are drawn from several sources closely related to the objective of the study.

2.2 Theoretical Foundation

This section reviews significant theories on competitive advantage which are relevant to this study. The relevant theories include the resource based view theory and the game theory.

2.2.1 Resource Based View Theory

Sanchez and Heene (2004) noted the key concepts of resource based view theory framework about what makes resources of a sustainable competitive advantage are summarized in a model developed by Peteraf. In this model four properties of resources are necessary in creating sustainable competitive advantage and thereby enabling a firm earn above average profits. Firstly, the resources a firm uses must be heterogeneous in that what it acquires and develops for value creation processes. It must be distinctive and different from the resources used by or available to other firms. Secondly, the heterogeneous resources that make a firm successful must originate in imperfect factor markets, meaning that a competing firm either cannot acquire the distinctive resources that a successful firm possesses or must pay such a high price for such resources that it cannot subsequently earn an economic profit. The third property is that the distinctive resources that make a firm successful must be imperfectly imitable and substitutable, so that competing firms cannot imitate the successful firm's resources or substitute other resources in their value creation processes. Lastly, the distinctive resources must be

subject to imperfect mobility so that the key resources of the successful firm cannot easily leave the firm and thus will remain inside the firm.

Wheelen et al. (2006) advanced Grant's points on resource based view theory. Grant made an important distinction between firm's resources and its capabilities. Grant characterized resources as inputs to a production process but notes that only some resources in a firm are actually inputs to a production process. In order to produce anything, resources must be coordinated and a capability is what results what a firm can coordinate its resources effectively in performing some task or activity. In Grant's important extension of the resource based view, resources are essentially to the creation of a firm's capabilities, but firms' capabilities are the sources of a sustainable competitive advantage a firm achieves in its markets.

2.2.2 Game Theory

Game theory was developed in the 1950's by mathematician John Von Neumann and economist Oskar Morgenstern. The technique was designed to evaluate situations where individuals and organizations can have conflicting objectives. It can be used to analyze a broad range of activities, including dating and mating, strategies, parlor games, legal and political negotiations and economic behavior. For example, in wage negotiations between unions and firms, a primary objective of management team is to keep the total wage bill as small as possible, while union negotiators want to maximize wage payments. In this situation game theory can be used to analyze the bargaining process between two parties. Peterson et al. (1999).

Over time, game theory has evolved to become a very broad and complex subject consequently, only the most basic elements can be presented here. However, these fundamental concepts can provide valuable insights in to business behavior. Sanchez and Heele (2004) pointed out that the strategy a firm pursues cannot be decided without taking into account the current strategies and likely future strategies of competitors. A firm's strategy must be determined at least in part by the need to respond to competitors' strategies and it will in turn influence the strategies that competitors pursue.

Game theory is the branch of economics that analyses incentives for competition and cooperation between interacting parties and ways in which each party may seek to optimize achievement of its goals through its interaction with another party. Sanchez and Heele (2004). A game theoretic analysis can reveal how optimal attainment of goals can depend on achieving a balance between each individual's self-interest and the common interest of all interacting parties. When all parties in "repeated games" devise ways of interacting that enable each party to realize the greatest possible benefit on an ongoing basis, the parties are said to converge to a stable "Nash equilibrium" in which each party will voluntarily continue their established pattern of interaction.

2.3 Industry Competition Models

An industry is a group of firms that produces similar products or services. Firms in an industry are constantly competing in order to remain profitable and grow. Competition in an industry has been theorized by the likes of Michael Porter in his Five Forces Model. Additionally, the types of advantages a firm develops - cost advantage and differentiation are also important to sustained growth and gaining competitive advantage over industry rivals.

Ang'wech (2012) opined that firms create competitive advantage by discovering better and innovative way and bring them to market to as innovations. It is important to note that by just discovering a better and innovative way is not sufficient. The firm has to ensure that such innovation sets it above its rivals by creating awareness to consumer. Competitive advantage is gained by performing strategically important activities in a cheaper or different ways than competitors. A firm will also strive to deliver benefits that exceed those benefits offered by its competitors. Competitive advantage enables a firm to create greater value for the customers and in turn, higher benefits for itself (Fleisher, 2003).

Porter Five Forces Model clearly points out forces that essentially determine the attractiveness of an industry and construct a sustainable competitive position for the firm among competitors. The five forces define the rules of competition within a market. The five forces are: the bargaining power of customers, the bargaining power of suppliers, the

threat of new entrants, the threat of substitute products and the intensity of competitive rivalry.

Firms in an industry are constantly competing with each other to gain competitive advantage. In order for a firm to maintain, sustain and grow its competitive advantage it has to employ strategies that sets it apart from rivals.

Clegg et al. (2011) argued that the Five Forces Model directs strategist towards some of the most important aspects of achieving a long term competitive advantage; it helps identify the sources of competition and determine their relative strength. Considering that, a firms conduct or strategic behavior is influenced by its assessments of the Five Forces Model.

They further argued that Porter's model is in essence static and to some extent underestimates the role and importance of uncertainty and change that can occur in the competitive environment of the firm. Mere analyzers of a list of these forces in the competitive environment will not advance strategic management efforts until they few driving factors that can really define and bring about change within an industry are identified and understood.

2.4 Strategy and Competitive Advantage

Strategy is found in virtually all fields of study. The concept surrounding strategy is multi-dimensional. The concept of strategy cannot be narrowed to a single definition of strategy. Strategy is defined as a set of related actions that managers take to increase their company performance.

A strategy can be either formal or informal. A formal strategy refers to the extent to which roles in or contributions to corporate strategic planning are structured into the organization of the planning process and the activities of the persons involved are governed by explicit procedures. The formulation of strategy as defined by Wheelen and Hunger (2012) is the development of long range plans for the effective management of environmental opportunities and threats, in light of corporate strength and weaknesses. It

includes defining the corporate mission, specifying achievable objectives, developing strategies and setting policy guidelines.

It is evident from the above that formal strategy is contingent upon the deliberateness and conspicuous amount of time spent in planning on a part of an organization. It has to be an identifiable process, well documented and communicated through the width and breadth of the organization. It is evident that the lack of formal strategy spells doom for any organization. The organization will in effect lack the direction, sense of purposes to achieve its missions and will be found wanting if it is to gain competitive advantage.

The organization choices of competitive strategies must lead to competitive advantage. A company is said to have competitive advantage over its rivals when its profitability is greater than the average profitability and profit growth of other companies competing for the same customers. Hill and Jones (2010). A sustained competitive advantage leads to higher profit growth than that shown by rivals. Hill and Jones further argued that competitive strategies are based on distinctive competencies. Distinctive competencies are those firm specific strengths that allow a company to differentiate its products from those offered by rivals and/or achieve substantially lower costs than its rivals.

Fletcher (2003), states that a firm creates competitive advantage by discovering and applying better and innovative ways to the products and services and ensuring that the market is aware of such acts of innovation. This is a deliberate process to shift the competitive advantage when the rivals fail to perceive new ways of competing or are unable to respond. One of the ways a firm can gain competitive advantage is by performing the strategically important activities in a more cheaply or different way than its competitors. Additionally, a firm might also deliver benefits that exceed the benefit of its competitors' products.

2.5 Competitive Strategies

Competitive strategy is a deliberate action. It is an organization's ability to choose a different set of activities to provide a unique mix of value in order to gain competitive advantage over its rivals. A competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs (Porter,

1985). It aims to establish a profitable and sustainable position against the forces that determine industry competition. A company's competitive strategy, deals exclusively with the specifics of management's game plan for competing successfully – its specific efforts to please customers, its offensive and defensive moves to counter the maneuvers of rivals, its responses to whatever market conditions prevail at the moment, its initiatives to strengthen its market position, and its approach to securing a competitive advantage vis-à-vis rivals Thompson et al. (2007). Competitive strategy is concerned with seeking competitive advantage in markets at the business level or in the public services, providing best value services. It needs to be considered and defined in terms of strategic business units (SBUs) (Johnson, Scholes and Whittington, 2008). The competitive strategies employed by an organization are not general in terms. They tend to be more specific to individual organizations. Organizations employ these strategies in order to gain and maintain competitive advantage.

Porter (1985) breakdowns competitive strategies in three areas namely: cost leadership, differentiation and focus (market segmentation). The above three can further be simplified into five generic competitive strategies: low cost provider strategy, broad differentiation strategy, the best cost provider strategy, focused strategy based on low cost and focused strategy based on differentiation. An organization will have to choose one or more of the above strategies as a move to beat the competition.

2.5.1 Approaches to Competitive Strategies

A firm seeking to extend competitive advantage over its rival will adopt competitive strategies. The approaches to developing a comprehensive competitive strategy are contingent upon Porter's generic strategies and the firm's strategic postures. A firm can adopt a combination of these strategies to enhance its competitive advantage.

Porter (1985) postulated that cost leadership, differentiation and focus are the three generic strategies that a firm can adopt. He further simplified into low cost provider strategy, board differentiation strategy, best cost provider strategy, focused strategy based on low cost and focused strategy based on differentiation. Organization requires an

effective competitive strategy to operate successfully in a market where there is established and potential competition.

Cost leadership strategy, Porter (1985), requires that a broad target or mass market be supplied with standard products or services. A successful cost leader in an industry will be the lowest cost producer in the sector and offer the mass-market products and services of a quality comparable to that offered by direct competitors. A firm can achieve cost leadership through economies of scale, extremely efficient production or very efficient distribution processes.

Differentiation strategy targets a mass market. Porter (1985) identified that differentiation is used to offer the customer added value, rather than the reduced cost and lower prices of a cost leadership strategy. Differentiation can be actual and real or merely perceived by the customer. Real differentiation occurs when a company products or services which are different and distinctive from others on the market. Differentiation is achievable through higher quality and improved inputs and processes.

Focus strategy is clearly used to aim for a niche or a section of the market which is not served well by the mainstream competitors in the sector. A company implementing a focus strategy is most likely to succeed if it centers its efforts in a number of niche market sectors and serves only them to the exclusion of other broad market segments. According to Capon (2008), Porter's three competitive strategies center on two issues: the scope of the market to be served and the basis of competition. The scope of the market can be either broad or narrow. In terms of the basis, the market can be cost based or valued added basis. Additionally, Radder and Louw (1998) posited four basic postures that an organization can adapt to their uncertain competitive environment. They are the aggressive posture, competitive posture, conservative posture and defensive posture.

The aggressive posture is typical in an attractive industry with stable economic conditions. Financial strength usually enables an organization with this posture to protect its competitive advantage. Such an organization may also take full advantage of opportunities in its own or related industries, look for acquisition candidates, increase

market share and/or allocate resources to products that have a definite competitive edge. Entry of new competitors is however, a crucial factor.

A competitive posture is characteristic of an attractive industry in a relatively unstable environment. The organization with such posture is at a competitive advantage and could acquire financial resources to increase marketing thrust, add to the sales force, and improve or extend the product line. Such an organization could also invest in productivity, cut costs, or merge with a cash-rich organization. Financial strength is, however, of critical importance.

The conservative posture is distinctive of a low growth but stable market. The focus is on financial stability, while product competitiveness is the critical factor. In this situation organizations could prune their product lines, cut cost, make cash flow improvements, product developments, and try to enter into more attractive markets. The organization in this posture needs to work hard to remain competitive while maintaining reasonable profitability.

A defining characteristic of the defensive posture is an unattractive industry where competitiveness is the critical factor. The organization finding itself in this dimension often lacks a competitive product and financial strength. It could prepare for retreat from the market, discontinue marginally profitable products, reduce costs and capacity and defer on minimize investments. In other words, it will be ideally beneficiary to such an organization if they withdraw from the market.

2.5.2 Competitive Terrain

A competitive terrain is the environment where in competitive advantage is built and sustained. Organizations have to operate within the confines of such environment and understand the dynamics of the environment to sustain competitive advantage. The competitive advantage of a firm derives from the four domains of the competitive terrain. Rindova and Fombrun (1999) stated that the four domains in competitive terrain originate from two dimensions.

The first dimension distinguishes the material and interpretational domains. It contrasts the emphasis by traditional strategy research on the role of material resources with the burgeoning literature that highlights how individual, groups and industry level interpretational process affect strategic interaction (Porac, Thomas and Baden-Fuller, 1984; Walsh, 1995). Rindova and Fombrun further listed factors such as cognitive simplification (Schwenk,1984), competitive blind spots (Zajac and Bazerman, 1991), competitive categorization (Porac and Thomas, 1990; Reger and Huff, 1993; Lant and Baum, 1995), industry recipes (Spender, 1989) and industry mindsets (Phillips, 1994) as known biases, constrains, channels that otherwise influence how managers perceive their environment and make strategic choices. In this view, the competitive terrain is defined, not only by the resource conditions in various markets and potential rents associated with them, but also by the knowledge, expectations, sense making of firms' managers and of constituents that interact with firms in an industry.

The second dimension divides the competitive terrain into domains of action that fall either outside or inside a focal firm. Resources based theories; for instance, emphasize the importance of the internal domain – firm specific competitive advantage (Penrose, 1959). The external domain includes all constituents who engage in exchanges in product, labor and capital markets. It also includes institutional intermediaries that transport and magnify information about firms and constituents. Competitions affect the construction competitive advantage by taking actions in the four domains and creating options for constituents. Rivalry manifest itself in the variety of options made available to constituents. The choices that constituents make giving competitive offerings measuring relative success of a firms strategies and the degree to which it has gain advantage .

2.6 Summary

The related literature on how firms can use their distinctive competencies and competitive strategies to gain competitive advantage clearly points that the lack of strategies disadvantage a firm in today's dynamic environment. In a modern environment in which product quality, product differentiation and continuous improvement are the order of the day, a company that can find innovative ways of satisfying customers' needs has an important competitive advantage. The conscious effort on the part of management

to adopt competitive strategies eventually leads to competitive advantage over rivals. Based on the findings of the related literature it can be deduced that competitive strategies adopted by companies essentially lead to it gain competitive advantage over rivals.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that the researcher employed in the study. The methodology includes the research design, the target population, the sampling design and the sample size, the data collection instruments as well as the data analysis techniques that were used to analyze the data.

3.2 Research Design

A case study is a form of qualitative analysis and involves a careful and complete observation of a social unit, be that unit a person, a family, an institution, a cultural group or even the entire community. It is a method of in depth rather than breadth. Kothari (2004). Case study research design provides very focused and valuable insight to issues that may otherwise be vaguely known or understood.

After careful consideration, a case study was deemed to be the most appropriate for the research as it involved complete observation of Liberian Bank for Development and Investment. This give more confidence to the study since it is focusing on the in depth analysis of the strategies adopted by Liberian Bank for Development and Investment rather than a broad analysis.

The design of the research placed more emphasis on the full analysis of the strategies that Liberian Bank for Development and Investment adopted vis-à-vis other competing commercial banks. It dealt with the processes that took place and the interrelationship. Thus, a case study is essentially an intensive investigation of the particular unit under consideration.

3.3 Data Collection

In the study, both primary and secondary data were used. Primary data was collected by way of interview. Interviews were conducted by the researcher in order to get hands on information regarding the research from the most authenticated source – those charged

with governance at the Liberian Bank of Development and Investment. The respondents included the General Manager, Senior Vice President internal control, and Assistant Vice President Gardnersville Branch. The interviews took a less structured approach allowing the process to be much more conversational than formal events with predetermined response categories. The interview guides were administered on face to face basis and via telephone.

As for secondary data, sources included text books, journals, newspapers, published and unpublished theses, internet, Central Bank of Liberia economic bulletin, and Liberia Poverty Reduction Strategy paper.

3.4 Data Analysis

Data analysis is the process of turning data into information. Four key roles for analysis in this respect involve the processes of distillation, classification, identification and communication. Lancaster (2005).

Primary data for this research was qualitative in nature; therefore content analysis was the most suited method of analysis. The technique for making inferences by systematically and objectively identifying specific characteristics of messages and using the same approach to relate trends is content analysis. Creswell (2003). Content analysis was used to present the data collected in a tabular and narrative format for ease of reference, comparison and interpretation of the finding.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data analysis, results and discussions of the findings on the strategies adopted by Liberian Bank for Development and Investment to gain competitive advantage. Data collected from respondents were analyzed using content analysis for meaning and implications to establish the research findings.

4.2 General Information

This section covers the general information on the Liberian Bank for Development and Investment. The specific information covered includes the bank's ownership, branch demography and staff diversity.

4.2.1 Ownership

The ownership of LBDI is a mixture of private Liberians, local institutions and foreign institutions. The bank had eleven shareholders as at December 31, 2012. Table 4.1 shows the share distribution.

Table 4.1: Ownership Structure

Shareholder Name	Shareholding %
Government of Liberia	18.69
Private Liberians	10.34
Lamco JV Operating Company (LAMCO)	5.52
Magnus Investment Corporation (MIC)	4.43
Bong Mining Company	4.23
Afri-Investment Management Co. Ltd.	23.04
International Finance Corporation	17
International Bank	6.62
Group Agence Francais Development	5.81
I EE Holding S.A.	2.65
Firestone Plantation Company (FPCO)	2
TOTAL	100

Source: Central Bank of Liberia, 2012

4.2.2 Branch Demography

The Liberian bank for Development has branches in strategic locations throughout Liberia. The researcher found that the bank's branches were located in the capital Monrovia and other urban areas in the country. The bank branches were also located in areas of high economic activities such as major market towns, concession areas etc. Notable of the strategic branches were the Roberts International Airport Branch, Harbel Branch, Duala Branch, Gbah Branch, Ganta Branch, and Bushrod Island Branch.

4.2.3 Staff Demography

The Liberian Bank for Development and Investment prides itself as being the only bank in Liberia wholly managed by Liberians. The bank is 100% staffed and managed by Liberians. The executive management team consists of a President, General Manager and Comptroller, who are all appointed by the Board of Directors. The researcher found out that the management team is made up of members who have been with the bank over the last fifteen years and have risen through the ranks professionally.

4.3 Strategies Adopted by LBDI to Gain Competitive Advantage

The Liberian Bank for Development and Investment being one of the leading banks in Liberia is faced with constant competition from its rivals. In order to remain competitive and profitable the bank has adopted a number of strategies. It was established from the respondents that the following strategies had been adopted.

4.3.1 Marketing Strategies

This section was focused on what the bank's marketing strategies were. To determine this, the researcher analyzed the marketing department structure, target market, correspondent network, product mix and product development. The bank relied heavily on brand recognition, brand loyalty and radio advertisement to offer its products and services to customers. The bank target market primarily includes micro, small and medium scale enterprises, young entrepreneurs who make up a majority of the un-banked population and construction and development firms. The bank is geared towards

exploiting this potentially lucrative market that remains unexploited. The bank believes that by harnessing the potential of this target market by providing loans and other financial services it will reap growth in business volumes and profitability. Additionally, being the only bank in Liberia licensed to offer development banking services LBDI target market includes the government, large construction firms, individuals in the real estate sector and those returning to rebuild their lives. By offering mortgages, real estate rehabilitation loans, infrastructure development loan, etc the bank is positioned to remain profitable considering the reconstruction drive in the country.

LBDI offers a diverse range of products. On the commercial banking end, its products include demand accounts, savings accounts, time deposits, trust funds, certificates of deposits, payroll processing and distribution, overdrafts, short-term loans, bonds and guarantees, lease discounts, letters of credit, Apex loans and processing of funds transfers. The bank also offers medium and long term loans, permanent working capital loans, small business development loans, infrastructure loans real estate rehabilitation loans and consultancy services as part of its development banking. Other services that the Liberian Bank for Development and Investment offers include international money transfers such as Moneygram and Western Union.

The researcher discovered that the bank lacks a marketing department. This leaves senior management with the additional task of performing marketing related functions. The marketing function was embedded in the functions of the General Manager and passed on to mid-level managers and branch managers.

According to the General Manager, the marketing strategies that LBDI uses are aimed at creating sustainable competitive advantage as well as confronting existing market competition. Through continuous target marketing and customization the bank has carved a niche as a major provider to its target market. The bank has developed products and services that fit the needs of its increasingly diverse and sophisticated customer base. For instance, the bank introduced its Young Entrepreneur Program (YEP) scheme. This product is unique and targets young Liberians entrepreneurs who lack adequate capital to start their own business but are determine. The banks provide them short term flexible financing to China and Dubai to procure their goods. They in return make regular

payments to the bank. Another innovative product that LBDI introduced is the salaried government employees loan schemes. This product is unique in that it allows government employees whose monthly salary are processed through LBDI to obtain loans at competitive rates without collaterals such as title deeds, etc. but only their contracts. This product is only available through LBDI bank and aims at helping the ordinary Liberian government employees have access to cheap loans. The product increases customers' confidence in the bank's ability enable development in its customers.

It was noted by the researcher that a number of factors led to the LBDI marketing strategies being successful. Paramount amongst these factors was professionalism and the efficiency of the banking services. Other factors include the bank encouraging its client to embrace internet banking and SMS banking to reach more customers. These services which are slowly but steadily gaining traction in Liberia enables clients who bank with LBDI to pay utility bills, check account balances, transfer funds to third party, etc. via the internet or their mobile phones. LBDI sought to improve service delivery through modernizing its facilities and the utilization of cost effective technology. All of the above has led to increased customer satisfaction and consistency in customer growth.

The bank offers quality services to its clients. According to the Assistant Vice President Gardnersville branch, the quality of service has led to huge turnover. The turnover is evident in the bank's financial performance. The bank is continuously seeking ways to improve services. The bank is currently introducing its FLEXCUBE UBS 10.2 banking technology that will enhance real time transactions and improve online banking solutions leading to branchless operations at the same time reduce overall operational cost of the bank. FLEXCUBE UBS is a comprehensive solution to support the needs of retail, corporate and investment banking from Oracle. The application offers comprehensive transaction banking capabilities that help banks stay ahead of the competition.

4.3.2 Growth and Expansion Strategies

This section focused on the growth and expansion strategies adopted by LBDI to gain competitive advantage in the Liberian banking industry. The researcher reviewed the bank's branch structure and branch network via the internet, discussed with those charged

with governance the proposed expansion plans and the benefits the bank intend on getting when it carry out such expansion.

The researcher found from the Senior Vice President/ Internal Control that the bank's branch network had not covered the whole country. The major areas that are covered include areas that had vibrant economic activities and would cost the bank less in terms of operations. According to the Senior Vice President, the bank does have representation in these areas that are not covered through sub-agents that offer money transfer services. He further stated that there are plans to roll out full banking services into these areas of little or no representation. The researcher was able to established through interview with the Assistant Vice President Gardnersville branch that the availability of Moneygram and Western Union money transfer services at all branches and sub-agents was essentially strategic for the bank. It effectively made the bank a one stop financial services provider for clients considering the majority of Liberian use of the money transfer services when receiving remittances from friends and relatives in the diaspora.

4.3.3 Financing Strategies

This section focused on the financial strategies the bank is using to compete. The researcher analyzed the bank's balance sheet and management of new investment partner. The Central Bank of Liberia is in partnership with the bank provided funding to for its Mortgage Stimulus Program dubbed "Own Your Own House". The bank in turn provides mortgage loans to qualified Liberians. The bank also sought the intervention of partners like the EBID to improve its development banking section. The table below shows capital injection into the bank by the Central Bank of Liberia and ECOWAS Bank for Investment and Development (EBID).

Table 4.2: Line of Credit

Bank	30.06.2011	30.06.2012	30.06.2013
Central Bank of Liberia	-	-	\$10,000,000
EBID	-	\$5,000,000	-
TOTAL	-	\$5,000,000	\$10,000,000

Source: LBDI, 2012

The researcher found that the financing strategies that Liberian Bank for Development and Investment adopted have enabled the bank to grow its core capital base significantly. The financial injections are depicted in Table 4.2. This will makes it more competitive with its main rival ECOBANK Liberia Limited that gets regular cash injection from its parent company.

4.3.4 Human Resource Strategies

The human resource is an important aspect of any organization. The researcher sought to determine the strength of the human capital of the Liberian Bank for Development and Investment. The human capital is necessary for analyzing information and making decisions in the organization.

The Liberian Bank for Development and Investment has been implementing an ambitious plan to professionalize its human resource base. According to the General Manager, there is a system in place that ensures qualified and competent staffs are sent to the United States and the United Kingdom to study for advanced degrees. Additionally, some of the staffs are sent on short term capacity building programs in Europe and other West African countries. Underscoring the need for trained human capital, the bank also ensures that her staffs participate fully in local banking and financial management trainings organized by the Central Bank of Liberia, The World Bank, etc. Lastly, periodic in-house trainings are conducted by consultants hired by the bank to ensure that staffs are up to the task.

The Liberian Bank for Development has maintained a strategy that motivates and retains the workforce by providing higher job satisfaction through its education and training of

staffs. For instance, it is well known and documented that the current top management has been with the bank for well over fifteen years joining the bank as mere interns and have risen through the rank and files to be leaders of the bank. This has led to the bank gaining competitive advantage over its rivals since only the competent, well-trained and dedicated staffs are retained.

4.3.5 Communication and Information Technology Strategies

This section was aimed at determining the strength of the bank's information and communication technology. The researcher was informed by the General Manager the bank's plan to migrate to the modern and efficient FLEXCUBE UBS 10.2 banking software by Oracle. The migration will not only make the bank efficient in its operations but will be the backbone to the bank's expansion strategy. The software will form the core of the bank operations processing transactions in real time and facilitate the seamless transfer of information from one branch to another.

The Liberian Bank for Development and Investment has adopted as part of its strategies to migrate customers to mobile banking in addition to the already existing internet banking. The bank sees this as a new frontier in gaining competitive advantage over its competitors. Customers will no longer have to queue to request their account balances or perform services that would rather require their presence at teller.

The researcher also sought to find out if the bank began operating Automated Teller Machines as its major competitors will result in increased efficiency and improved service delivery to customers. It was noted by the researcher that LBDI does not offer Automated Teller Machines services to its customers. The General Manager of the Liberian Bank for Development and Investment pointed out that the availability of ATMs will significantly improve service delivery and boost the bank's presence. She however noted that a feasibility study is being done on the bank's position to offer such services.

Being a client of the bank himself, the researcher had noted that employees of the bank were found to be punctual and effective in carrying out their duties. This falls squarely on management's ability to have created an adequate environment and information system.

The bank's core functions and operations were integrated speeding up the decision making process and enhancing service delivery to customers.

4.3.6 Customer Care and Operations Strategies

Under this section the researcher sought to determine the customer care and satisfaction strategies that the bank had adopted. One of the major steps taken by the banks was the opening of new branches in densely populated areas and areas of high economic activity such as markets and business centers. This strategy has led to decongestion of branches that had traditionally been noted for long queues. It was noted by the researcher that the bank has a high customer approval rating amongst its competitors.

It was noted by the researcher that customer satisfaction was not only through the opening of new branches and better product offerings. Customer satisfaction was also derived from the availability of bank staff. Mid-level managers and top managers were available upon request to listen to the complaints and queries of customers. This facilitated swift decision making and improved customer relationship with the clients. According to a staff at the bank the rating stood at 8/10 in service delivery as compare to other banks.

4.4 Discussion of Findings

The researcher in this section discusses the findings of the study in relation to the objective of the study as well as existing literature. It was found that the study agrees with previous studies identifying the strategies adopted by various organizations to gain competitive advantage.

4.4.1 Comparison with the Theory

As mentioned earlier, the primary objective of this study was to research the strategies adopted by Liberian Bank for Development and Investment to gain competitive advantage. It was ascertain in the findings that LBDI currently maintains similar strategies as other banks, firms or organization around the world and in Liberia. From the findings it can be inferred that the Liberian Bank for Development and Investment has

adopted Porter's generic approach of cost leadership, focus and differentiation strategies. Porter (1985). The study revealed that the bank has strong strategies to tackle the competition in the Liberian banking industry. It is evident that the bank is keen on cutting cost in operational and staff cost by services such as mobile banking and internet banking. The planned introduction of ATMs services will also be a boon to its cost cutting initiatives. The researcher noted that the plan upgrade of the bank core banking software and the continuous training and development strategies of the bank will continue to give the bank a competitive advantage over its rival.

By focusing on its core operation development banking, the bank is strategically positioning itself to take advantage of the emerging opportunities considering Liberia is a country emerging from civil war. The bank seeks to identify rehabilitation needs in key sectors. The researcher noted that the bank's mortgage stimulus program sets it above its rivals. Additionally, the hugely disenfranchise youth are another focus area for the Liberian Bank for Development and Investment. Through its Young Entrepreneurs Program (YEP), the Bank seeks to empower the Liberian youth and stimulate an economy of young Liberian entrepreneurs. This has given the bank added competitive advantage since it demand little or nothing from these youths when financing their business.

The Liberian Bank for Development strategies are anchored on the resource based view theory. The theory clearly points that a firm can use its available resources to create sustainable competitive advantage. One of LBDI key resource it is leveraging to gain competitive advantage is its human resource capital. By training her staffs, the bank essentially positions itself as a professionally, competent and strong bank in terms of human resource capacities. It also provides job satisfaction and highly motivated staff. It is important to note that by sending selected staff members for specific training in areas that are key to the overall strategies of the bank , LBDI is ensure that its human resources are distinctive and different from the human resources of other firms in the industry. Additionally, promotions and adequate compensations subject the human resources of LBDI to imperfect mobility. Another property of the resource based view theory that LBDI uses to gain competitive advantage over its rival is that the resource cannot be

imitable or substituted. The trained human resources remain unique to the LBDI. They cannot be readily found on the market for used by other competitors.

The Game theory as highlighted in the literature review can be seen in the strategies adopted by Liberian Bank for Development and Investment. Those in charge of formulating strategies for the bank are very keen to evaluate the situation or competitive environment they find themselves in. They consider their competitors strategies and make informed decisions on their own strategies. In the case of LBDI, this is seen mainly in the commercial banking sector For instance, should the bank continue with its plan of introducing ATM services, it will have to consider the strategies being used by its competitors in the ATM business. Building on the information gathered it can be better placed to compete in that sector. The bank has to compete with its rivals providing the similar services such as time deposit accounts, savings accounts, letter of credits, etc. LBDI like other banks in the industry through “repeated games” devise ways of interacting that enable each party to realize the greatest possible benefit on an ongoing basis, the parties are said to converge to a stable “Nash equilibrium” in which each party will voluntarily continue their established pattern of interaction.

4.4.2 Comparison with other Empirical Studies

The objective of this study was to research the strategies adopted by Liberian Bank for Investment and Development to gain competitive advantage. The study was able to ascertain that LBDI has well defined strategies used to compete in the banking industry. Due to the prevailing competitive environment in Liberia, banks have been forced to develop strategies to help them adapt to the forces that affect them. Liberian Bank for Development and Investment maintains strategies that are similar to other banks and organization around the world. The finds of this research were similar and consistent with other previous studies.

In the study *Achieving Competitive Advantage through HR Practices: A Case Study*, Pahunjan and Dalal (2012), Wiggins (1997), *Sustaining Competitive Advantage: Temporal Dynamics and the Rarity of Persistent Superior Economic Performance*, the researchers business adopted strategies that can enable them survive uncertain environment. It also

pointed out that the strategies that organizations adopted are geared towards it achieving and sustaining competitive advantage over its rivals. Mwangi (2009), *Competitive Strategies Adopted by Zain Kenya Ltd* and Gathogo (2001), *Competitive Strategies Adopted by Commercial Banks in Kenya* both researchers emphasized that the strategies that Zain Kenya Ltd and Commercial Banks in Kenya were to carve out a niche for themselves in the competitive environment as the same time giving them competitive edge over the rivals. This study supports the findings of Al-Awadh (1996) that cost leadership and differentiation strategies are among the major strategies employed by organizations to outperform each other. The study further supports the theory by Grant (1998) that firms also develop competitive strategies that enable them to develop strategic initiatives and maintain a competitive edge in the market.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusions and recommendations of the study in line with the purpose of study. The research was geared towards identifying the strategies adopted by Liberian Bank for Development and Investment to gain competitive advantage.

5.2 Summary

LBDI offers a diverse range of products. On the commercial banking end its products include demand accounts, savings accounts, time deposits, trust funds, certificates of deposits, payroll processing and distribution, overdrafts, short-term loans, bonds and guarantees, lease discounts, letters of credit, Apex loans and processing of funds transfers. The bank also offers medium and long term loans, permanent working capital loans, small business development loans, infrastructure loans real estate rehabilitation loans and consultancy services on the development end of its banking activities. Other services that the Liberian Bank for Development and Investment offers include international money transfers such as Moneygram and Western Union.

According to the General Manager, the marketing strategies that LBDI uses are aimed at creating new niche as well as confronting existing market competition. Through continuous target marketing and customization the bank has carved a niche as a major provider to its target market. The bank has developed products and services that fit the needs of its increasingly diverse and sophisticated customer base. For instance, the bank introduced its Young Entrepreneur Program (YEP) scheme. This product is unique and targets young Liberians entrepreneurs who lack adequate capital to start their own business but are determine. The banks provide them short term flexible financing to China and Dubai to procure their goods. Another innovative product that LBDI introduced is the salaried government employees' loan schemes. This product is unique in that it allows government employees who salaries are processed through LBDI to obtain loans at competitive rates without collaterals such as title deeds, etc. but their

contracts. This product is only available through LBDI bank and aims at helping the ordinary Liberian government employees to have access to cheap loans. The product increases customers' confidence in the bank's ability enable development in its customers.

The Liberian Bank for Development and Investment has been implementing an ambitious plan to professionalize its human resource base. According to the General Manager, there is a system in place that ensures qualified and competent staffs are sent to the United States and the United Kingdom to study for advanced degrees. Additionally, some of the staffs are sent on short term capacity building programs in Europe and other West African countries. Underscoring the need for trained human capital, the bank also ensures that her staffs participate fully in local banking and financial management trainings organized by the Central Bank of Liberia, The World Bank, etc. Lastly, periodic in-house trainings are conducted by consultants to ensure that staffs are up to the task.

The Liberian Bank for Development has maintained a strategy that motivates and retains the workforce by providing higher job satisfaction through its education and training of staffs. For instance, it is well known and documented that the current top management have been with the bank for well over fifteen years joining the bank as mere interns and risen through the rank and files to be leaders of the bank. This has led to the bank gaining competitive advantage over its rivals since only the competent, well-trained and dedicated staffs are retained.

It was noted by the researcher that successes of the strategies adopted by LBDI cannot be pointed to one general strategy. The success can be attributed to the mix of strategies that the bank has adopted and effectively implemented. Some factors worth mentioning includes the SMS banking, internet banking services, modernization of the bank core operating software, expansion into strategic locations, etc. The collective strategies and the availability of resources to implement these strategies extend the competitive advantage the Liberian Bank for Development and Investment over its known rivals. The strong brand loyalty and unique characteristic of the bank as a "wholly managed Liberian bank" give LBDI an added advantage as compare to its competitors.

5.3 Conclusion

It was concluded from the findings of this study that the Liberian Bank for Development and Investment strategies were found to be well defined and competent enough to allow it compete successfully in the banking industry. The study showed that the strategies adopted by LBDI played a pivotal role in the competitiveness of the bank and its outperformance of its rival. From the bank financial reports 2011 and 2012, there has been significant overall performance. This clearly points that the strategies used by the bank are effective. Due to the competitive environment and the huge un-banked population, banks in Liberia have been forced to develop strategies to weather the increasingly tense competition. The objective of the study was to research into the strategies adopted by Liberian Bank for Development and Investment to gain competitive advantage. The strategies adopted by LBDI were found to be of expansion and growth, diversification, low cost leadership, learning and growth of staffs and focus.

Considering that no conclusive study had been done on the strategies that LBDI had adopted and the lack of a marketing department, the research found the finding welcoming. The presence of these competitive strategies serves as a stepping stone for any organization to achieve its full potential. Notable among the strategic mix of LBDI were cost management, human resource strategy, information technology strategy and expansion and growth strategies. The combination of these strategies and others in a unique mix contributed the bank performance as is evident in its last financial statements.

The Liberian Bank for Development and Investment gained competitive advantage by implementing the various strategies it had adopted. The strategies mentioned helped LBDI to remain one of the market leaders in the banking industry. This is clear through its asset base and profitability. As the bank is poised to invest in state of the art software and venture into ATM services, it is evident it will remain amongst market leaders in the industry. The investment in its human resources and information technology is destined to ensure a reliable workforce and revolutionize the banking industry by providing improved services which will lead to the introduction of new and exciting products.

5.4 Implication of the Study

The study recommends that the Liberian Bank for Development and Investment focuses on developing new strategies that are not in the current strategic mix and adopting them in order to sustain its competitive advantage. By incorporating various strategies the bank will remain competitive as compare to its rivals. It is further recommended that the strategies it may consider maybe but not limited to acquisition, strategic alliances, etc. LBDI can also react to competitive forces by developing new and exciting product to meet the increase demands of the every changing taste and preferences of customers.

It is recommended that the management of LBDI create a marketing department. The market department will be in the forefront to market the bank products and services to a larger target market. The department will also be in a better position to conduct market research on existing and new product and services of the bank. It will also evaluate the products and services of major competitors vis-à-vis the banks products. The study further recommends that the overall strategy of the bank is effectively communicated to all staff through training to ensure goal congruence in all functional departments. This will enhance knowledge on the various strategies that management intends to adopt to gain competitive advantage.

With the government reconstruction drive in full swing and LBDI being the country's main development bank, the study recommends that the bank seek more investors to increase its capital base to adequately provide services to the sector. The bank can issue bonds and other long term securities in the local market to get cash and invest in the reconstruction of the country.

5.5 Limitations of the Study

The study focused on the various strategies which have been adopted by the Liberian Bank for Development and Investment to gain competitive advantage. During the interviews, the researcher anticipated a 100% response rate. Unfortunately some of the respondents were unavailable thus reducing the quality of the information obtained. Secondary data used in the study from the bank came from press communications. There

is a possibility that it may not have accurate as some institutions put out information to protect their organization.

The quoted interviewees were not required to explain the reason for the responses or statements and therefore to arrive at the conclusions made in the study reference had to be made to the background events and the literature reviewed. The strategies used by the bank were so diverse and the limitation of resources to fully discuss these on the telephone limited the scope of the research.

The researcher encountered problem with some of the bank's senior management and head of departments. Some did not respond to the communication requesting for them to be interviewed. This also limited the scope of the study.

5.6 Suggestions for Further Research

The current research focused primarily on the strategies adopted by LBDI to gain competitive advantage. This meant understanding the various strategies that LBDI is using to gain competitive advantage. More research is needed to establish the opinion of top management who were not interviewed on the bank competitive strategies.

It is suggest that further research should be done on the impact of the growth of "SUSU" groups on the bank's competitive strategies. Another area of research should be on the sustainability of the bank's competitive advantage. The research further suggest that a comprehensive study should be undertaken comparing the corporate and competitive strategies of banks in Liberia. Lastly further research should be effectiveness of the strategies that the bank adopts.

5.7 Implication on Policy, Theory and Practice

The research appreciates the implication on policy, theory and practice. The strategies adopted by LBDI as posited in the research work can have various implications. Firstly, the rapid change in our technological era may lead to existing policy being obsolete. Policy makers will have to use copious resources over time to continuously formulate policies that will mitigate the effect of the technological advances.

It can also be inferred from the existing theory on competitive advantage that companies that incorporate theoretical framework into their strategies stand to gain competitive advantage over their rivals. However, it is important to note that theories are not absolute in themselves. The incorporation of the theoretical framework could lead to gaining competitive advantage but equally it can also lead to a company to not gaining sufficient competitive advantage over its rival. By carefully applying the strategies and evaluating over time only can a company be sure of the usefulness.

Lastly, the research implication on practice is that customers are a critical factor in achieving competitive advantage. Here, there may be resistance to change hence rendering the strategies adopted by the company to be less effective. It is important that companies consider their customers in the implementation of their corporate strategies.

REFERENCES

- Al-Awadh A.M. (1996). *Competitive Strategies & Barriers to Achieving Competitive Advantage: a study of two Saudi Arabian Industries*. Published research project
- Ang'wech M. A. (2012). *Competitive Strategies adopted by Coca-Cola Kenya*. Unpublished research project, School of business, University of Nairobi.
- Capon C. (2008). *Understanding Strategic Management*. FT Prentice Hall
- Clegg S., Carter C., Kornberger M. & Schweitzer J. (2011). *Strategy: Theory and Practice*. Sage Publications Ltd.
- Creswell, J. W. (2003). *Research Design: Qualitative, Quantitative and Mixed Methods Approaches*. Thousands Oak: Sage Publication
- Central Bank of Liberia. (2012). *Addresses of Commercial Banks and their Heads*. Retrieved from <http://www.cbl.org.lr/doc/superdoc/commbnkadds.pdf>
- Central Bank of Liberia. (2012). *Central Bank of Liberia Newsletter*. Retrieved from <http://www.cbl.org.lr/doc/major/cblnewsletter1stedition.pdf>
- Fleischer C. (2003). *Strategic Competitive Analysis: Methods & Techniques for Analyzing Business Competition*. Prentice Hall
- Gathoga W. (2001). *Competitive Strategies Adopted by Commercial Banks in Kenya*. Unpublished research project. School of business, University of Nairobi.
- Government of the Republic of Liberia. (2008). *Poverty Reduction Strategy Paper*. Retrieved from <http://www.imf.org/external/pubs/ft/scr/2008/cr08219.pdf>
- Hill C.W.L.& Jones G.R. (2010). *Strategic Management: An Integrated Approach*. 9th Edition, South-Western Cengage Learning
- International Bank of Liberia (2007). *A Review of the Liberia's Economy, Financial Sector and Investment Opportunities*. Retrieved from http://www.ibliberia.com/pdf_News/LiberiaReview_November07.pdf

- Johnson G., Scholes K. & Whittington R. (2008). *Exploring Corporate Strategy Text and Cases*. FT Prentice Hall
- Kamau J. M. (2009). *Competitive Strategies adopted by Zain Kenya Ltd*. Unpublished research project, School of business, University of Nairobi.
- Kothari C.R. (2004). *Research Methodology: Methods and Techniques* 2nd Revised Edition, New Delhi: New Age International Publisher
- Lancaster G. (2005). *Research Methods in Management: A Concise Introduction to Research Management & Business Consultancy*. Elsevier Butterworth Heinemann
- Liberian Bank for Development and Investment (2011). *Origin of LBDI*. Retrieved from <http://www.lbdi.net/lbdi/content.php?sub=24&related=1&third=24&pg=sp>
- Miles R. E. & Snow C.C. (1978). *Organizational Strategy, Structure & Process*. New York: McGraw-Hill
- Mintzberg H., Lampel J., Quin J.B. & Ghoshal S. (2003). *The Strategy Process: Concepts, Contexts, Cases*. 4th Edition, Pearson Education Ltd
- Pahuja S. & Dala C.R. (2012). Achieving Competitive Advantage through HR Practices: A Case Study. *Journal of Strategic Human Resource* 1(2)
- Peterson C. H., Lewis C. W., & Jain K. S. (1999) *Managerial Economics*. 4th Edition, Pearson Education, Inc.
- Pitts A. R., Lei D. (2006) *Strategic Management: Building and Sustaining Competitive Advantage*. 4th Edition, South Western: Thompson Learning Inc.
- Porter M. E. (1985). *Competitive Advantage: Creating Sustaining Superior Performance*. The Free Press
- Radder L. and Louw L. (1998). Approaches of Competitive Strategies. *Long Range Planning Journal* 33(4) pg. 549 – 559

- Rindova V.P. and Fombrun C. J. (1999). Competitive Terrain: where competitive advantage is built and sustained. *Strategic Management Journal* 20(8) pg. 691-710
- Sanchez R. & Heene A. (2004). *The New Strategic Management: Organization, Competition & Competence*. John Wiley & Sons, Inc
- Saunders M., Lewis P., & Thornbill A. (2003). *Research Methods for Business Students*. FT Prentice Hall. 3rd Edition, Pearson Education Ltd.
- Thompson A.A. & Strickland A.J. (1989). *Strategy Formulation and Implementation: Tasks of the General Manager*. 4th Edition, Richard D. Irwin Inc.
- Thompson A.A., Strickland A.J., Gamble J.E. (2007). *Crafting and Executing Strategy: Text and reading*. 15th Edition, McGraw Hall International Edition
- Varmah M. B. M. (2012) *Competitive Strategies adopted by Aga Khan University Hospital in Nairobi, Kenya & Challenges faced in the Implementation*. Unpublished research project, School of Business, University of Nairobi.
- Wheelen T. L., Hunger J.D. & Rangarajan K. (2006). *Concepts in Strategic Management & Business Policy*. Dorling Kindersley (India) Pvt. Ltd
- Wheelen T.L., Hunger D.J. (2012). *Strategic Management and Business Policy: Toward Global Sustainability*. 13th Edition, Pearson Education Inc.
- Wiggins R. R. (1997) *Sustaining Competitive Advantage: Temporal Dynamics & the Rarity of Persistent Superior Economic Performance*. Published research project.

APPENDICES

Appendix – 1: Letter of Introduction

Appendix – 2: Interview Guides

1. What are your primary products in the market?
2. What is/are your target market?
3. How intense is the competition in the banking industry in Liberia?
4. Who would you consider to be your main competitor?
5. Which competition challenges do you face in the banking industry?
6. Why do you consider them challenges?
7. Does LBDI face the following challenges?
 - a. Threat of new entrants
 - b. Threat of substitute product
 - c. Rivalry among existing competition
8. Given the competitive challenges you face, what strategies has LBDI adopted to cope with the growing challenges?
9. How effective have these strategies been?
10. Are the benefits of the strategies being felt in the bank performance?
 - a. Financial
 - b. internal business processes
 - c. customer's satisfaction
 - d. learning and growth
11. Has LBDI adopted any of the following strategies to cope with the competitions:
 - a. Low cost: cost cutting measures, embracing new technology, value chain analysis
 - b. Differentiation: unique market driven product, improved service delivery as compare to competitor, wide range of services, unique adverts
 - c. Focus: understanding customer needs better to serve them, conduct customer surveys, improving quality and product branding

Appendix – 3: List of Commercial Banks in Liberia

Liberia Bank for Development and Investment

Ecobank Liberia Limited

International bank Liberia Limited

Global Bank Liberia Limited

First International Bank Liberia Limited

United Bank of Africa Liberia Limited

Access Bank Liberia Limited

Guaranty Trust Bank of Liberia Limited

Source: Central Bank of Liberia, 2012

Appendix – 4: List of LBDI Branch Network

LBDI Head Office

LBDI Head Office Annex

LBDI Bushrod Island

LBDI Paynesville

LBDI Harbel

LBDI Ganta

LBDI Sinkor

LBDI Roberts International Airport

LBDI Duala

LBDI Robertsports

LBDI Kakata

LBDI Buchanan

LBDI Gbarnga

LBDI Gardnersville

LBDI Gbah

Source: LBDI, 2013