FACTORS CONSIDERED BY KENYAN COMMERCIAL BANKS IN STRATEGIC POSITIONING

BY

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DECLARATION

This research project is my original work and has not been presented for a degree or any other qualification in this or any other university

Signature ……………………………………… Date…………………………….

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

Signature ………………………………………Date ……………………..

PROFESSOR PETER K'OBONYO

DEDICATION

I dedicate this research project to my family and friends.

ACKNOWLEDGEMENT

I would also like to give special thanks to my supervisor, Professor Peter K'Obonyo, for his moral support and academic guidance, critique and concern towards this project despite his busy schedule.

My special thanks also go to my lecturers, classmates, research assistants, respondents and any other person who provided input towards accomplishment of this research project. I, further extend my sincerest gratitude to my family members for the support they have given me throughout my study period.

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ABSTRACT

This study's aim is to determine the factors considered by commercial banks in Kenya in strategic positioning. The contemporary business market and global influence has heightened competition forcing organizations to review their business approaches and initiatives used to attract customers and fulfill their expectations so as to withstand competitive pressures and to strengthen its market position in the increasingly competitive world. Banks like other organizations employ strategic positioning strategies to maintain their survival in the competitive market, retain their customers and more importantly make profits This study collected data from all the 43 registered commercial banks. The data was collected from a population of 43 banks using questionnaires which had both open and close ended questions and was analyzed using descriptive statistics, mean scores, standard deviations, frequencies and percentages. Strategic positioning was observed to be a key orientation in the banking industry. The study realized that banks employ different strategies so as to survive the competition in the banking market. The processes and decisions made on strategic positioning were found to highly depend on the perceived profitability, competition in the market, future performance of the bank and bank image among other factors. It was noted that most of the banks did not attach much significance to economic implications of their strategies and operations. The study recommends that bank management should take long term strategies that affect positively the performance of a bank. The study also recommends the government to put up structures and ensure that banks do not exploit the consumers as they strive to make profits. It is recommended that similar studies be done in other financial and micro-financial institutions to understand deeply the factors which affect strategic positioning and therefore improve strategic positioning.

CHAPTER ONE

INTRODUCTION

1.1 Background Information

A company's strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. These strategies provide opportunities for the organization to respond to the various challenges within its operating environment. Firms also develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Porter, 1985). The competitive aim is to do a significantly better job to its customers. The success of every organization is determined by its responsiveness to the customer needs. The competitive aim is to do a significantly better job of providing what customers are looking for, thereby enabling the company to earn a competitive advantage and outsmart rivals in the market place. The core of a company's marketing strategy consists of its internal initiatives to deliver satisfaction to customers but also includes offensive and defensive moves to counter the maneuvering of rivals, actions to shift resources around to improve the firm's long term competitive capabilities and market position, and tactical efforts to respond to prevailing market conditions. Assuming that there are a number of providers, customers will choose which offering to accept on their perception of value-for-money.

1.1.1 The Concept of Strategy

Strategy is primarily an outgrowth of the resource-based view of strategy (Barney, 2001). It is a central driver of firm performance (Pehrsson, 2000, 2001). In this view, resources essentially are said to confer competitive advantage to the extent that the resources must be difficult to create, buy, substitute, or imitate (Barney, 1991; Lippman and Rumelt, 1982). In line with this, strategy is considered to be a crucial source of heterogeneity that enables the firm to achieve competitive advantage and generate high performance. Moreover, much recent research from the resource school has shifted from focusing on tangible assets as a source of competitive advantage to include intangible assets, such as competence and experience. No matter what asset is the focus, the rationale is that key resource advantages lead to high performance.

The concept encompasses an international market experience dimension. High familiarity with international market conditions particularly strengthens the competence and the possibility of finding sustainable positions in local markets. Local market conditions may be specified by aspects such as market entry barriers (Porter, 1980; Robinson and McDougall, 2001), the behaviour of competitors in the market (Bengtsson, 1998; Pehrsson, 1990), consumer behaviour in the market (Rumbo, 2002), and local preferences for technology and choice of suppliers (Makadok, 1998; Pehrsson, 1985). Familiarity with international market conditions might be acquired through any sequence of market entry or any way of searching knowledge on the conditions external to the firm.

1.1.2 Strategic Positioning

Positioning is a concept in marketing which was first introduced by Jack Trout and then popularized by Al Ries and Jack Trout in their bestseller book "Positioning - The Battle for Your Mind." This differs slightly from the context in which the term was first published in 1969 by Jack Trout in the paper "Positioning" is a game people play in today’s me-too market place" in the publication Industrial Marketing, in which the case is made that the typical consumer is overwhelmed with unwanted advertising, and has a natural tendency to discard all information that does not immediately find a comfortable (and empty) slot in the consumers mind. It was then expanded into their ground-breaking first book, "Positioning: The Battle for Your Mind," in which they define Positioning as "an organized system for finding a window in the mind. It is based on the concept that communication can only take place at the right time and under the right circumstances". (McGraw-Hill 1981)

What most will agree on is that Positioning is the perception that happens in the minds of the target market. It is the aggregate perception the market has of a particular company, product or service in relation to their perceptions of the competitors in the same category. It will happen whether or not a company's management is proactive, reactive or passive about the on-going process of evolving a position. But a company can positively influence the perceptions through enlightened strategic actions. (Trout, J., 1969)

In business you must seek out your higher ground. In business the higher ground is not as evident as it is on the battlefield. Your higher ground is the position that allows you to make the best use of your strengths that at the same time grants you a superior advantage over the competition. Strategic positioning looks at more than just a particular product. Strategic positioning entails positioning your business or brand in the marketplace to your best advantage. This is especially important in a changing market because when the ground is shaking you need to be firmly on solid ground. Strategic positioning is more comprehensive than product positioning. The concept of brand has changed and the market is crowded. People are overwhelmed with marketing messages. That means that the chance of your message getting through and sticking is dismal - unless you hold the higher ground. (Ries, A. and Trout,J. 1981) Product positioning entails fighting for a marketing position in the mind of the customers. Strategic positioning goes beyond that by entrenching that position clearly in the minds of the leaders and staff of the business. That motivates them and guides their decision making. As you can see strategic positioning is not just about marketing although it determines marketing. Strategic positioning will drive every aspect of your business from operations to financial decisions. (Trout, J., (1969)

Miles and Snow (1978) provide the basis for the assessment of strategy types ("strategic pattern") here, while "strategic positioning" is characterized as the product-market positions established by the firm, (Kald *et al.*, 2000). Consistent with the co-integration of the resource-based view and the strategic positioning construct popularized in the marketing literature (Fahy and Smithee, 1999), strategic positioning is conceptualized as the ways in which firm-specific resources and assets are deployed to build positional advantages in product-markets. Recent work has begun to develop these links between the resource-based view and the strategic positioning construct (Hooley *et al.*, 1998). In this respect, sources of advantage, hereafter referred to as product-market positions, may be regarded as the ways in which firm-specific resources and assets are deployed to build positional advantages in a firm's product-markets. It is product-market positions in this sense, focused on the connectivity between a firm's internal assets and its behaviour and perceived positions in its external environments that form the interests of this research investigation. This interpretation is consistent with these recent attempts to link a firm's positioning strategy to its resources and capabilities, and – in particular – is consistent with the notion that competitive positioning strategies, "give equal weight to market demands and capability profiles when selecting targets and implementing positioning strategies" (Hooley *et al*., 1998, p. 106).

1.1.3 Commercial Banks in Kenya

Commercial banks are profit making financial institutions that play a significant role in the financial system. Commercial banks offer a wide range of corporate financial services that address the specific needs of private enterprise. They provide deposit, loan and trading facilities but will not service investment activities in financial markets (Magutu et al., 2009). The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members (Kenya Bankers Association annual Report, 2008).

Commercial banks in Kenya play a number of roles in the financial stability and cash flow of the country's private sector. They process payments through a variety of means including telegraphic transfer, internet banking and electronic funds transfers. They also issue bank cheques and drafts, as well as accept money on term deposits. They act as moneylenders, by way of installment loans and overdrafts. Loan options include secured loans, unsecured loans and mortgage loans. Commercial banks in Kenya provide a number of import financial and trading documents such as banks is predominated by financial assets and liabilities hence giving rise to an emphasis on the net interest margin. Interest rate environment is one of the most important influences on asset/liability decisions of commercial banks. Key determinants of success for commercial banks include management's abilities to understand movements in the interest rates and inflation, and to interpret forecast with regard to interest rates. While all managers must respond to interest rate changes growing globalization of financial markets creates additional requirements like asset and liability decisions in reaction to changes in the value of currency in use against other currencies (Cooperman *et al*, 2000).

The Kenyan Commercial Banking Report has been researched at source and features Business Monitor International (BMI)'s independent assessment and forecasts for the commercial banking sector in Kenya. It examines key drivers of growth and future prospects, including the macroeconomic situation, the level of development and potential for growth of the banking sector, the commercial initiatives of major players, government policy and the regulatory environment. Leading banks are profiled, covering total assets, liabilities, client deposits, lending, bond holdings, main products and services, competitive positioning and ownership structure, (Kenya Bankers Association annual Report, 2008).

In essence, the job of the strategist is to understand and cope with competition. Often, however, managers define competition too narrowly, as if it occurred only among today's direct competitors. Yet competition for profits goes beyond established industry rivals to include four other competitive forces as well: customers, suppliers, potential entrants, and substitute products. The extended rivalry that results from all five forces defines an industry's structure and shapes the nature of competitive interaction within an industry. Understanding the competitive forces, and their underlying causes, reveals the roots of an industry's current profitability while providing a framework for anticipating and influencing competition (and profitability) over time. A healthy industry structure should be as much a competitive concern to strategists as their company's own position. Understanding industry structure is also essential to effective strategic positioning. As we will see, defending against the competitive forces and shaping them in a company's favor are crucial to strategy. (Michael E. Porter 1979)

1.2 Research Problem

Firms strive for sustainable competitive advantage, and financial performance that consistently outperforms their industry peers. One way they do this is through strategic positioning. The world is so dynamic, with new products and new competitors rising, seemingly overnight, that truly sustainable advantage might seem like impossibility. Uchumi Supermarket Chain is one of such firms. There is a considerable amount of literature on strategic management, which gives useful advices for business people about how to be successful in a market. Different authors agree that reason of successful performance in a market for many companies is a possession of a sustainable competitive advantage (SCA), through strategic position approach (SP). Porter (2001) explains that the concept of sustainable competitive advantage is related to that of strategic positioning. He argues that Strategic positioning is the source of competitive advantage. On the other hand, Kotler and Keller (2006) suggests that strategic positioning can be based on points of difference or point of parity, where the concept of the points of difference is very similar to the unique selling proposition (USP) and sustainable competitive advantage, with the latter being an even broader concept..

Previous studies done by several scholars have been extensive studies in the area of banking in Kenya and especially on competitive strategy. For instance, Warugu (2001) in his research, found that focus and product differentiation are some of the major strategies that the banks have employed in their quest to outdo each other. Similarly Kiptugen (2003) looked at the strategic responses to a changing competitive environment in the case study of KCB, he established that proactive rather than reactive strategies such as research on changing customer needs and preferences forms the basis of its strategic planning. Mbwayo (2005) focused on the strategies applied by commercial banks in Kenya in anti-money laundering compliance programs. He concluded that strict adherence procedures and standards have been implemented to ensure that money laundering is contained in Kenya. Chesang (2002) study concentrated on the effects of merger restructuring on the financial performance of commercial banks in Kenya. The research compared the pre-merger and post merger financial performance of twenty Kenyan banks that had merged between 1993 and 2000. The results indicate that the financial performance ratios that have legal implications (capital adequacy and solvency ratios) improved after the merger. However profitability ratios indicate that the majority of the merged banks reported a decline in financial performance. Gorter and Bloem, 2002 did a study on cause on nonperforming loans. A study by Mwangi (2002) focused on factors that influence the attitudes of survivors of downsizing towards management and job security in the banking sector, he found that bank employees had a relatively low trust of the management's decisions and actions in the retrenchment process. He had a relatively strong feeling that there was injustice in the process.

None of the above studies dealt with strategic positioning in commercial banks. The purpose of this study was therefore intended to to fill this gap in knowledge by answering the question "What are the factors considered by Kenyan commercial banks in strategic positioning?"

1.3 Research Objective

To determine the factors considered by commercial banks in Kenya in strategic positioning.

1.4 Value of the Study

Firstly, to the government the findings of this study will be of great use to the government of Kenya. The government policy makers will use the information to develop new policies or make reforms on the existing ones.

Secondly, to the banking industry the findings of this study will be beneficial to the managers of commercial banks in Kenya as they will form a basis for formulation of strategies that will enable them take advantage of existing opportunities around them.

Thirdly, the findings will be great use to the scholars and the academicians as they carry out their research as it will add to the already existing literature on strategic management concepts.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the theories on strategic positioning, empirical review, strategies for improving the banking industry, methods on how Kenyan commercial banks can impact on strategic positioning, competition in the banking industry and the chapter summary.

2.2 Theoretical Foundation

There are other constructs that are closely related to strategic positioning. The aspects of strategic positioning are discussed by various authors and scholars under different contexts and places. The varying opinions and altitudes have been discussed under different theories.

2.2.1 Business Area Theory

Business Area Theory (BAT) was first made by Germany geographer woerte•kelisitaile in the 1930's, that is a central place theory of goods and services. The scale of business area is a dynamic range, and the form of Business Area renders various irregular polygon. For easing analysis, we usually set store locations as the centre, and set the factors considered as Business Area to set a distance as RADIUS around the delineation. In the case of a large store, the scope of Business Area Theory includes the regional scope which customers can reach easily using various means of transport, except around the outside. In this way, we can divide the circle to the edge of the central business district, sub-Business Area Theory and the fringe business area (Tian, 2010)

Saturation of the Business Area Theory (Michael., et al 1992) is an index which judges the competitive level in a similar business. Under normal circumstances, we can understand a sector of industry is excessive or insufficient, and decide whether to choose this place by calculating or determining the saturation indicator of certain sales. When saturation is high, the remaining space is limited, and It would not be appropriate to enter; When saturation is low, shows market space is large, and there is a great development opportunity. (Feng, et al 2004),

2.2.2 Stakeholders theory

Stakeholder theory addresses this more openly on the hypothesis that organizations that take care of their key stakeholders will gain competitive advantage over those that do not (Clarkson 1995; Jones 1995). Jones writes that "trusting, trustworthy, and cooperative behaviour will get better results than opportunistic and selfish behaviour because it improves trust, lowers transaction costs and therefore increases revenue" (1995, 432). This is aligned with a resource dependency perspective—the idea that, without interactions and transactions with critical groups, an organization will fail (Pfeffer and Salancik 1978).

Porter and Kramer (2002) have put forward a strong argument that strategic corporate philanthropy (i.e., attending to a firm's external stakeholders) is beneficial for an organization, because social and economic goals are connected. Building on Porter's diamond model, these authors illustrate how each of the four elements of competitive advantage— factor conditions, demand conditions, context for strategy and rivalry, and related and supporting industries—can be influenced positively by strategic philanthropy

2.2.3 Porter's Five Forces Model

Aside from his innovative thinking, Porter has a special ability to represent complex concepts in relatively easily accessible formats, notably his Five Forces model, in which market factors can be analyzed so as to make a strategic assessment of the competitive position of a given supplier in a given market. The five forces that Porter suggests drive competition are: 1. Existing competitive rivalry between suppliers. 2. Threat of new market entrants. 3. Bargaining power of buyers. 4 Power of suppliers. 5. Threat of substitute products (including technology change).

Porter's Five Forces model can be used to good analytical effect alongside other models such as the SWOT and PEST analysis tools. The model provides suggested points under each main heading, by which you can develop a broad and sophisticated analysis of competitive position, as might be used when creating strategy, plans, or making investment decisions about a business or organization.

2.3 Strategic Positioning

Positioning is something (perception) that happens in the minds of the target market. It is the aggregate perception the market has of a particular company, product or service in relation to their perceptions of the competitors in the same category. It will happen whether or not a company's management is proactive, reactive or passive about the on-going process of evolving a position. But a company can positively influence the perceptions through enlightened strategic actions. A company, a product or a brand must have positioning concept in order to survive in the competitive marketplace. If you don't position your business, your competitors will which is likely not what you desire. (Trout, 1969)

According to Guidry (2011), "Marketing Concepts that Win!, Live Oak Book Company, Many individuals confuse a core idea concept with a positioning concept. A Core Idea Concept simply describes the product or service. Its purpose is merely to determine whether the idea has any interest to the end buyer. In contrast, a Positioning Concept attempts to sell the benefits of the product or service to a potential buyer. The positioning concepts focus on the rational or emotional benefits that buyer will receive or feel by using the product/service. A successful positioning concept must be developed and qualified before a "positioning statement" can be created. The positioning concept is shared with the target audience for feedback and optimization; the Positioning Statement is a business person's articulation of the target audience qualified idea that would be used to develop a creative brief for an agency to develop advertising or a communications strategy.

Effective Brand Positioning is contingent upon identifying and communicating a brand's uniqueness, differentiation and verifiable value. It is important to note that "me too" brand positioning contradicts the notion of differentiation and should be avoided at all costs. Generally, the brand positioning process involves: 1. Identifying the business's direct competition (could include players that offer your product/service amongst a larger portfolio of solutions).2. Understanding how each competitor is positioning their business today (e.g. claiming to be the fastest, cheapest, largest, the provider, etc.).3. Documenting the provider's own positioning as it exists today (may not exist if startup business).4. Comparing the company's positioning to its competitors' to identify viable areas for differentiation. 5. Developing a distinctive, differentiating and value-based positioning concept.6.Creating a positioning statement with key messages and customer value propositions to be used for communications development across the variety of target audience touch points (advertising, media, PR, website, etc.(Ries, and Trout, 1981).

2.4 Competitive Advantage

Competitive advantage seeks to address some of the criticisms of comparative advantage. Michael Porter proposed the theory in 1985. Competitive advantage theory suggests that states and businesses should pursue policies that create high-quality goods to sell at high prices in the market. Porter emphasizes productivity growth as the focus of national strategies. Competitive advantage rests on the notion that cheap labor is ubiquitous and natural resources are not necessary for a good economy. The other theory, comparative advantage, can lead countries to specialize in exporting primary goods and raw materials that trap countries in low-wage economies due to terms of trade. Competitive advantage attempts to correct for this issue by stressing maximizing scale economies in goods and services that garner premium prices (Stutz and Warf 2009).

Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade ores or inexpensive power, or access to highly trained and skilled personnel for human resources. New technologies such as, robotics and information technology that is either, to be included as part of the product, or to assist making it. Information technology has become such a prominent part of the modern business world that it can also contribute to competitive advantage by outperforming competitors with regard to internet presence. From the very beginning, i.e. Adam Smith's Wealth of Nations, the central problem of information transmittal, leading to the rise of middle-men in the marketplace, has been a significant impediment in gaining competitive advantage. By using the internet as the middle-man, the purveyor of information to the final consumer, businesses can gain a competitive advantage through creation of an effective website, which in the past required extensive effort finding the right middle-man and cultivating the relationship.

The term competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Chacarbaghi and Lynch 1999). The study of such advantage has attracted profound research interest due to contemporary issues regarding superior performance levels of firms in the present competitive market conditions. "A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player" (Clulow et al.2003). Above writings signify competitive advantage as the ability to stay ahead of present or potential competition, thus superior performance reached through competitive advantage will ensure market leadership. Also it provides the understanding that resources held by a firm and the business strategy will have a profound impact on generating competitive advantage. (Powell 2001) views business strategy as the tool that manipulates the resources and create competitive advantage, hence, viable business strategy may not be adequate unless it possess control over unique resources that has the ability to create such a unique advantage. Summarizing the view points, competitive advantage is a key determinant of superior performance and it will ensure survival and prominent placing in the market. Superior performance being the ultimate desired goal of a firm, competitive advantage becomes the foundation highlighting the significant importance to develop same.

2.5 Strategic positioning and organizational performance

The preceding section suggests that to account for the relationship between strategic position and customer performance the long-term cost positioning of customer mix needs to be considered. In this study, the concept of strategic approach has been used to refer to strategic predisposition and long-term view of customer performance. This is in line with the nature of strategic orientation that has been variously described as strategic fit, strategic predisposition, strategic thrust, and strategic choice (Morgan and Strong, 1998). It is also compatible with the RBV which recognizes the nature of resource accumulation and path dependence resource competency. For example, the development of supplier-customer relationships often requires substantial investment of strategic resources and success of the relationships depends on ongoing activities (Hakansson and Snehota, 1995). A strategic approach suggests that with a long-term view of the resources such as capabilities, competitive position and cost implications of customer relationship development, an organization can enhance its performance (Porter, 1991).

The concept of strategic approach focuses on strategic predisposition rather than the broad treatment of strategic orientation. The latter has not been well established due to different definitions and treatments of the construct in the literature (Noble *et al.*, 2002). Also, strategic orientation can be defined as a multidimensional construct that captures an organization's relative emphasis in understanding and managing the environmental forces acting on it (Gatignon and Xuereb, 1997). In this view, strategic orientation encompasses customer, competitor and product orientations. Empirical results provide support for the relationship between strategic orientation and firm performance (Gatignon and Xuereb, 1997). In order to consider the long-term positioning of customer performance, a strategic approach must be examined within the context of customer portfolio analysis. On reviewing existing customer portfolio dimensions, it is possible to identify and examine the strategic approach of customer portfolio development and analysis by using the dimension of strategic importance of account (Fiocca, 1982). While the importance of the strategic approach has been recognized, work to date remains conceptual and/or limited to operationalization of the construct (Eng, 1999).

2.6 Factors Influencing Strategic Positioning

There are two groups of factors that could influence the strategic positioning of COs: internal organizational factors and external environmental factors.

2.6.1 Internal Organizational Factors

Three possible influences on positioning strategy within the organization are: the charity mission, organization-wide or corporate plan, and organizational resources.

The first one is the mission and is defined here as the fundamental purpose of a CO: what the organization exists for and what it does (Hudson 2002). In strategic management perspective, mission helps direct organizational efforts and resources to achieve its ideal view of the world; its vision and purpose. Zineldin and Bredenlow (2001) show that mission, vision and strategic positioning of a Voluntary and Non-Profit Organizations (VNPO) are interrelated. Frumkin and Kim (2001) argue that positioning around the charity's mission could be a unique way for COs to differentiate themselves in a competitive fundraising environment. Mission plays a crucial role in the CO's strategic positioning as it acts as both a major positioning differentiator and a primary influencer in the choice of PS. Mission could guide or constrain PS choices by establishing its strategic intent, determining its primary target audience and the scope of its operations. It provides the key direction for the CO's core positioning strategy (how to be distinctive), identifies its primary target audience (users/beneficiaries), and guides the development of its positioning dimensions (resources and core competences) to differentiate the organization from other charities/providers.

Secondly is the organization wide corporate plan. CO's positioning strategy emerged from the organization-wide or corporate planning process rather than developed separately or as part of a conscious and deliberate strategic marketing planning process as advocated for non-profit organizations by, for example, Kotler & Andreasen (1996) and. Larger COs tended to have dedicated marketing functions within their organizations. However, they played mainly an operational role in the strategic positioning process. They were tasked to communicate the positioning messages to various audiences once these had been defined by senior management and approved by the Board of Trustees. Changes to the CO's corporate plan or strategy could affect the strategic direction of the organization, for example, its scope of operations, geographic location, primary target audiences (users/beneficiaries). This would necessitate a shift in the organization's core positioning or positioning dimensions.

Thirdly, organizational resources such as the financial, physical, human assets and capabilities that an organization have acquired or built over time and that those managers have access to develop the organization's distinctive advantage (Fahy 2000). Grant (1991) differentiate between assets and capabilities of an organization. Assets comprise of tangible and intangible resources (for example capital equipment, employee skills, brand name and reputation), while capabilities (such as organizational routines, teamwork, values, and leadership) facilitate the effective deployment of assets in developing the organizations competitive advantage (Grant 1991). Together they provide the foundation for the organization's distinctive or core competences (Hofer and Schendel 1978).

Organization culture sets the internal context within which strategic decisions are made (Webster 1994). Hooley et al. (2001) suggest that marketing resources and capabilities play key roles in establishing competitive advantage of for-profit firms in the marketplace. However, for COs that are arguably more dependent on external parties for resources (especially funding) that their for-profit counterparts, developing capabilities such as a strong culture, mission and values, and organizational leadership is arguable crucial to maintain their strategic position over time.

2.6.2 External Environmental Factors

These comprise of a complex set of macro-environmental influences external to the organization that are not within the direct control of its management but could influence its strategies unexpectedly .There are three external factors that could influence the PS of charities: governmental influence, other external environmental factors, and competitor factor.

The degree of government influence on the CO's strategic positioning differs depending on the perceived role that government plays in the relationship with the charity (whether as funder, policy maker or legitimizer). This influence would also depend on the nature of the services provided by the charity, the extent to which the organization leaders engaged with government as a partner in delivery of public services, and its actions to maintain independence and strategic autonomy (Chew 2006).

There are other factors external to the organizations that are not within the direct control of its management, for example economic conditions, technological changes, and demographic changes. The CO's core positioning and positioning dimensions would need to be reviewed in light of shifts in its corporate strategy as the organization adapts to changes in its external environment.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides an outline of the research methodology that was used in the study. It discusses the research design, the population of study, data collection methods as well as data analysis and data presentation methods applied in the study.

3.2 Research Design

The research design employed in this study was a descriptive survey. Descriptive studies describe characteristics of a population or phenomenon. A descriptive study tries to discover answers to the “who, what, when, where and sometimes how questions” (Cooper and Schindler, 2000). This design was appropriate for this study because of the comparative analysis that was implied by the research objective and the fact that data was collected from a cross section of firms at one point in time.

3.3 Population

A population is the total collection of elements about which we wish to make some inferences (Cooper and Schindler, 2000). The population in this study comprised of all the 43 commercial banks in Kenya as per KCB Audited Financial Report 2010.

3.4. Data Collection

Primary data was collected using a questionnaire that was developed based on the objective of the study. The respondents were the human resource manager or manager in charge of corporate strategy or marketing manager. The questionnaire had two parts: part 1-profile of banks or respondents and part 2-collection of data relevant to objective of study.

The questionnaire had open and closed questions. Open ended questions gave the respondents the chance to voice their opinion on the issues raised so as to give the researcher a deeper understanding of the concept under study.

3.5. Data Analysis

Descriptive statistics were used to analyze the data. They consisted of mean scores, standard deviations, frequencies and percentages. Findings were presented in tables and charts.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

4.1 Introduction

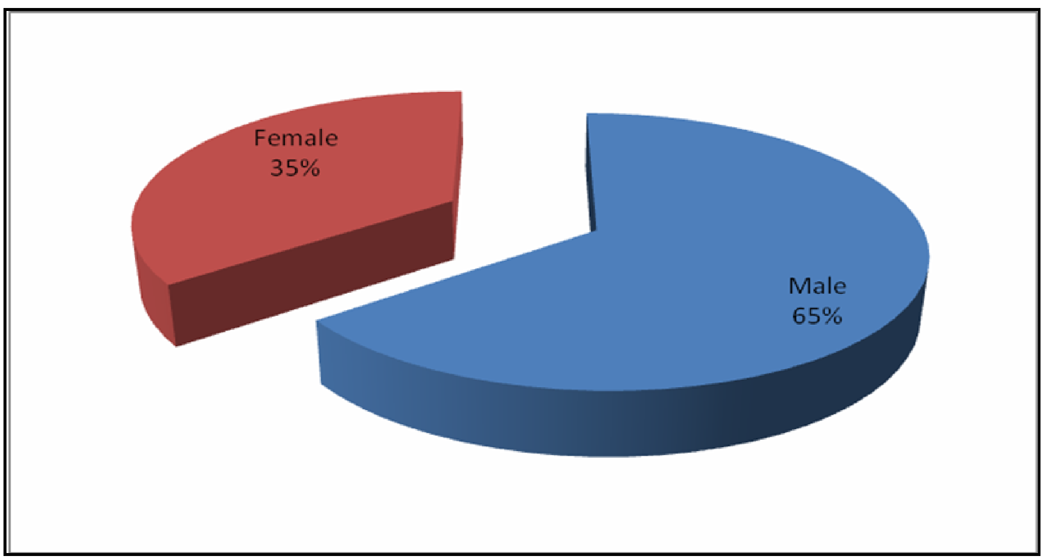
This chapter provides demographic information of the respondents and findings on the strategic positioning. Demographic information provides the gender, age bracket, position in the bank and the work experience of the respondents. The chapter also presents findings on strategic positioning, highlighting the factors and the information sought by the banks while formulating positioning strategies.

4.2 Demographic information

4.2.1 Gender

Gender balance has become a major concern in the institution and structuring of any organization. This study sought to establish the gender composition of the respondents who took part. The findings are shown in figure 4.1.

Figure 4.1: Gender Distribution



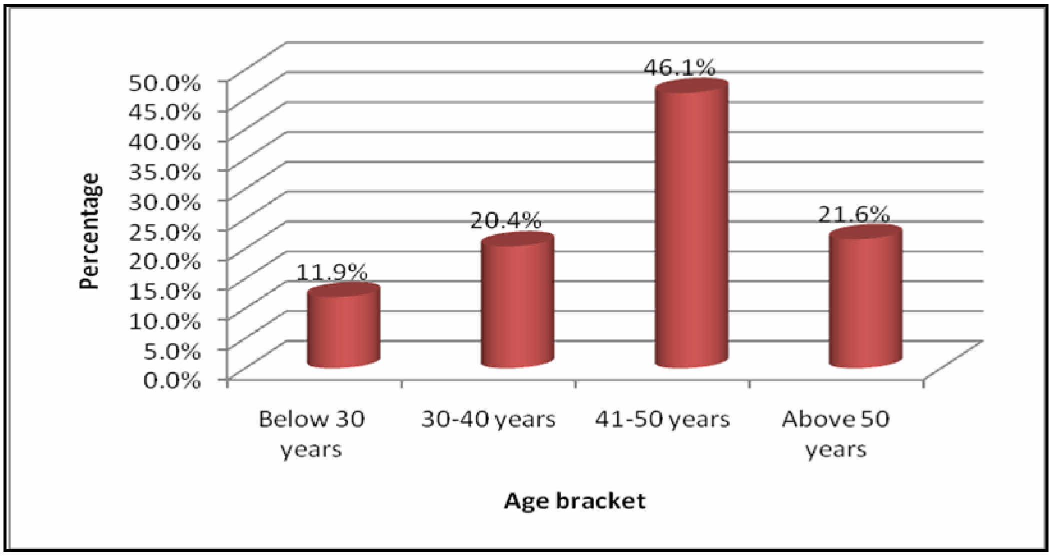
Source; Author(2013)

The information contained in figure 4.1 shows the gender of the respondents who took part in the study. From the findings, majority of the respondents (65%) were males while the rest (35%) were females.

4.2.2 Age bracket

The age structure of an organization is a very important component in an organization. It helps the organization plan for the recruitment and succession. Age distribution of the respondents is presented in figure 4.2.

Figure 4.2: Age bracket



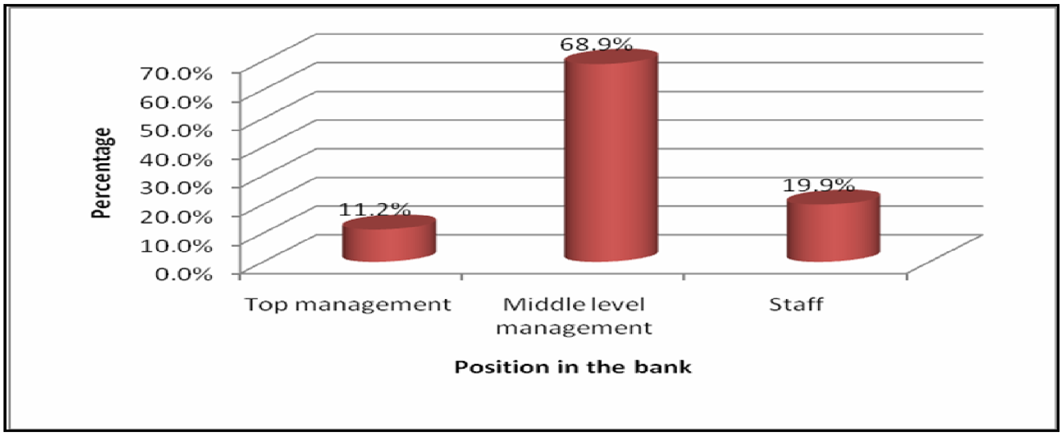
Source; Author(2013)

The data information findings contained in figure 4.2 shows the age bracket of the respondents. From the findings, most of the respondents (46.1%) were aged between 41-50 years old. About 21.6% were aged more than 50 years old with some 20.4% aged between 30-40 years.

4.2.3 Position in the bank

The position of person in an organizartion influences his understanding of the organization. To obtain this information, the researcher requested the respondents to state their positions in the bank. The findings are shown in figure 4.3.

Figure 4.3: Position in the bank



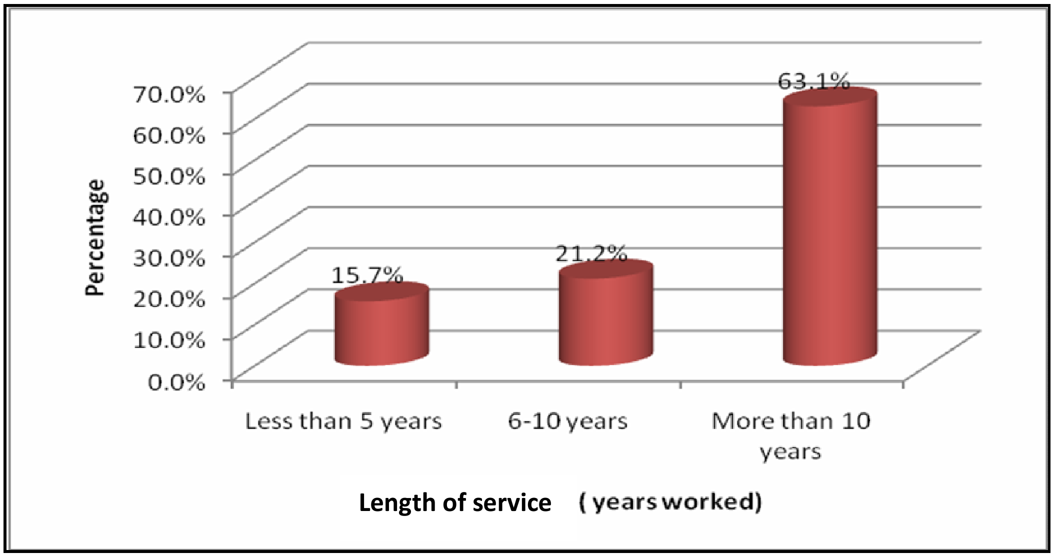
Source; Author(2013)

Figure 4.3 shows the findings on the position of the respondents. According to the findings, majority of the respondents (68.9%) held middle level management while 19.9% were staff members.

4.2.4 Duration in the bank

The duration an individual works in a certain organization defines his work experience. This study collected data from the respondents on the duration they had worked in their bank. The findings are shown in figure 4.4.

Figure 4.4: Respondents length of service in the bank



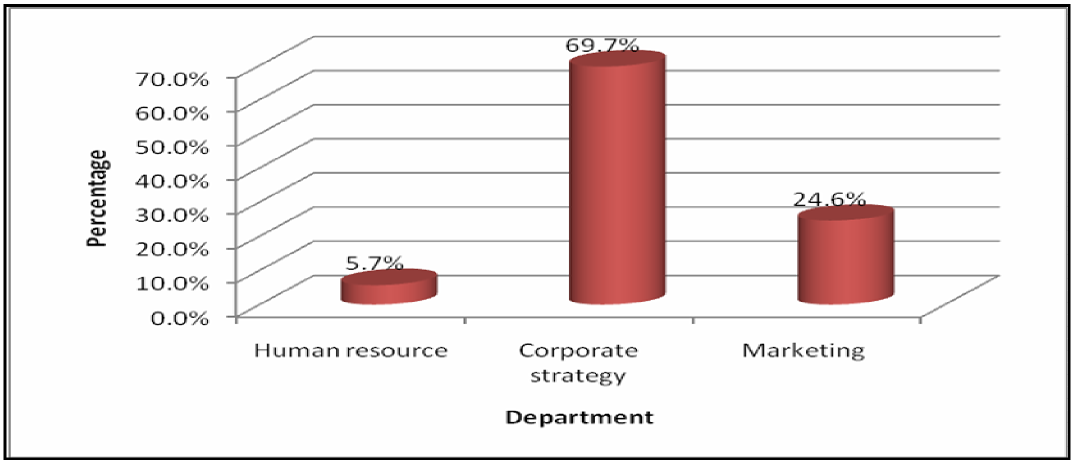
Source; Author(2013)

The information contained in figure 4.4 shows the duration the respondents had worked in the bank. The findings shows that majority of respondents (63.1%) had worked in the bank for more than 10 years. This implies that most of the respondents who were working in the bank as middle level managers had a lot of experience in banking and thus the information they provide can be expected to be fairly accurate.

4.2.5 Department

The respondents were requested to state their department. The data was collated and the findings are shown in figure 4.5.

Figure 4.5: Distribution of respondents by Department



Source; Author(2013)

The information contained in figure 4.5 indicates the departments from which the respondents were drawn. From the findings, majority (69.7%) were from the department of corporate strategy and some from marketing department (24.6%). This implies that majority of the respondents were involved in the marketing operations and strategy formulation of the banks.

4.3 Factors considered in strategic positioning

The strategies banks use affect their performance, operations and even competitiveness with other banks both locally and internationally. This particular study was motivated by the need to establish the strategies banks use when positioning themselves in the market. The findings are tabulated in table 4.1

Table 4.1: Factors considered in strategic positioning

	Mean	Std. Dev
The future name of the bank	3.0	0.5
The future image of the bank	3.9	0.6
Expected economic performance	3.2	0.7
Expected market competition	4.2	0.8
Projected Future profits	4.3	0.6
Future bank performance	4.1	0.7
Information from the market is used as input into the development of positioning strategy	4.0	0.8

Source; Author(2013)

The information contained in table 4.1 shows the factors which influence strategic positioning of the banks. The responses were recorded on a five point likert scale. Where 1 represented "not considered variable" and 5 "very great extent", in the continuum 2 represented "less extent", 3 represented "moderate extent" and 4 represented "great extent". The data was analyzed using descriptive statistics such as mean and standard deviation.

As per the scale, those variables which had a mean close to 4.0 were regarded as having been considered to a great extent, those variables with a mean close to 3.0 were regarded as having been considered to a moderate extent while those which had a mean close to two and below were considered to represent a less extent or not considered at all. At the same time, standard deviation was used to indicate the extent of dispersion of the responses and to determine the consensus in the views of the respondents. A standard deviation of more than 1.5 indicates a lot of dispersion and thus a lack of consensus among the respondents on the factor. In this study since all the standard deviation values were less than 1.5 it can be concluded that there was a good degree of consensus among the respondents on all the factors.

Based on the findings, the banks placed the projected future profits (M= 4.3) in their strategy formulation to a great extent. This is also true for the expected market competition (M=4.2) they would face from their rivals if they took a certain strategy. The future performance of a bank (M=4.1) was also taken into consideration as the banks were formulating their strategies to position themselves in the market. Information which prevailed in the market was considered by the banks in strategic positioning to a great extent (M=4.0). Another important positioning factor which banks took into consideration was the influence a strategy would have on their image in the future (M=3.9). Notably, banks did not consider the name of the bank as significant factors in developing positioning strategy.

4.4 Information collection

The study sought to establish the information collected by the banks when formulating strategies. The findings are presented in table 4.2.

Table 4.2: Information considered in developing positioning strategies

	Mean	Std. Dev
The progress of performance of the bank	4.0	0.5
The survival/failure aspects	3.2	0.6
The market information	4.2	0.9
Competitive strategies of rivals	4.1	0.7

Source; Author(2013)

Table 4.2 shows the findings on the type of information sought by the banks when formulating positioning strategies. The information was recorded using a likert scale of 5 points just like the one used in table 4.1 and data was analyzed using descriptive statistics such as means and standard deviations.

Since the scale used was the same as that used in table 4.2, the study classified those variables which had a mean close to 4.0 to a great extent, those variables with a mean close to 3.0 to a moderate extent while those which had a mean close to two and below to a less extent or did not consider them at all. At the same time, standard deviation was used to indicate the extent of dispersion of the responses and the degree of consensus in the information provided by the respondents. A standard deviation value of more than 1.5 indicates lack of common consensus among respondents while a low value indicates consensus among respondents on a particular factor. In this study since all the standard deviation values were less than 1.5, divergence of views among the respondents did not invalidate the findings shown by the mean scores.

As shown in the table, the banks considered the information in the marketing of the products to a great extent (M=4.2). It also considered the competitive strategies of the rivals to a great extent (M=4.1) and assed the progress of the bank's performance (M=4.0). The survival aspects of the banks were not very much taken into consideration by most of the banks when sourcing information for formulating their strategic positioning.

CHAPTER FIVE

SUMMARY, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the discussion of the findings on the demographic, positioning strategies and the information used by the banks in developing positioning strategies. The chapter also presents the conclusions, recommendations of the study and suggestions for further studies.

5.2 Summary and Discussion of the findings

This study collected data from the banks in Kenya. The main content comprised of the factors which influence the strategic positioning of the banks. The data was collected from human resource department, corporate strategy department and marketing department. Majority of the respondents were males (65%) which indicates dominance of the male employees in those key departments. Most of the respondents were of the age bracket 41-50 years accounting for 46.1% while about 21.6% were aged more than 50 years. The respondents held different positions in their banks mainly middle level management positions (68.9%) while 19.9% were staff members. The respondents had good work experiences with most of them (63.1%) having more than 10 years experience in banking. The respondents were mainly sourced from the department of corporate strategy (69.7%) while others were from marketing strategy department (24.6%).

The banks make efforts to compete with other rivals to attract and retain customers, improve their profitability, retain good image and expand their network to other customers in different locations among other objectives. To achieve these objectives, the banks employ different strategies so as to survive the competition in the banking market. The study established various factors which influenced the decision banks made in their strategic positioning strategies.

The banks considered the estimates of the expected profits which could accrue from the use of a certain strategy to a great extent (M=4.3). This was seen as a major consideration since the banks and as many other private enterprises aim at making profits. Several strategies could be compared and the most profitable strategy adopted for use by the bank.

The use of a particular strategy was also found to be influenced by the expected competition from the other rivals. The bank planners and analysts perceive and assess the competition they would get in return from their rivals in the banking industry. This would help the banks to device ways of dealing with stiff competition and ensuring that the competition from other banks never affected their performance in the market.

The future performance of a bank was another factor which banks took into consideration to a great extent as they made their strategic position moves. The strategy adopted was assessed to identify the strategy's effect on the performance of the bank in future. For example a very costly strategy which could incur large costs to the bank and probably lower the growth penetration abilities could possibly be avoided and a cheaper one taken instead.

The banks also factored in the information they got from the market to a great extent. The prevailing information in the market is a key consideration as it defines the current operations in the market. For a strategy to be adopted, it was first assessed to establish the effect it would have on the image of the bank in future. A strategy which would preserve the image of the firm was more likely to be adopted than one which had little value on the image.

On the type of information collected, the study established various intelligence information which banks sought to enable them make strategic positioning moves in the market. The study established that among other things, the banks considered information on products, sought the competitive strategies of their rivals and the information on the progress of their performance.

5.3 Conclusion

The study notes that strategic positioning is a key element in the banking industry and thus several things have to be taken into consideration when crafting strategies. One of the major factors is the profitability of a strategy. A strategy which makes more profits is more likely to be adopted than the one which makes less.

The expected competition from rivals towards a particular strategy is a key factor in strategic positioning of the banks in Kenya. The banks have strongly considered this factor in their strategic poisoning making processes.

The study notes that banks consider the future performance of the bank when implementing and making a poisoning strategy. This is seen as way of ensuring a long term sustainability.

The study concludes that market information is crucial in the making of strategic positioning decisions of a bank. A well versed bank with regular flow of market information attains an upper hand in choosing strategic positioning moves in the market. The image of a bank is a major factor considered in making key positioning strategies. A strategy which helps to maintain the image of a bank is more suitable than that which does not add value to it.

The information on strategies used by the rivals, products and the performance of the bank in terms of her relative performance position with regard to the rest are some of the key intelligence information required when formulating some key strategic positioning strategies.

5.4 Recommendations

The study found that strategic positioning is key orientation in the banking industry. The study established that strategies should be adopted so as to retain the image, improve profits, and remain competitive.

Market information was found to be a key aspect in the strategic positioning processes. It is recommended that bank management put in place structures and ways of sourcing information from the market so as to make the effective strategies in tandem with market environment.

The future operations and performance of a bank ensures sustainability of a bank. Therefore it is recommended that bank management take long term strategies which affect positively the performance of a bank.

The commercial banks should also concentrate on promoting well specified but limited number of selected distinct and superior benefits and compare them to a number of competitors due to the fact that they affect their business activity to a greater degree. It is important to identify the characteristics of positioning strategy of commercial bank's group that is used as a point of reference, in order to define correctly its own positioning strategy. Even more, top management should analyze carefully the competition that exists within its group (direct competition) and also consider the characteristics of the competitive positioning strategy of the rest of the groups.

The study noted that most of the banks did not attach much significance to economic implications of their strategies and operations. This could include the effect of raising interest rates. It is recommended that the government puts structures and ensures that banks do not exploit the consumers as they strive to make profits.

5.5 Suggestion for Further Research

This study concentrated on the banks in Kenya and their strategic positioning. It is therefore recommended that similar studies be done in other micro financial institutions and other financial institutions to understand deeply the factors which affect strategic positioning.

The study also recommends that further research be done to establish the effect of each of the factors on the profitability of the banks.

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APPENDICES

Appendix 1: Questionnaire

Section A: Demographic information

1. Indicate your gender

   Male [ ] Female [ ]
2. Indicate your age bracket

   Below 30 years [ ]

   30-40 years [ ]

   41-50 years [ ]

   Above 50 years [ ]
3. Position in the bank

   ………………………………………………………………………………………..
4. What is your position in the bank?

   Top management [ ]

   Middle level management [ ]

   Staff [ ]
5. How long have you worked in the bank?

   Less than 5 years [ ]

   6-10 years [ ]

   More than 10 years [ ]
6. Indicate your department

………………………………………………………………………

Section B: Factors considered in strategic positioning

7. Tick appropriately to indicate the extent to which the following factors are considered by your bank when formulating strategies.

	(1) Not considered	(2) Less Extent	(3) Moderate extent	(4) Great extent	(5) Very great extent
The future name of the bank					

The future image of the bank					
Expected economic performance					
Expected market competition					
Projected Future profits					
Future bank performance					
Information from the market is used as input into the development of positioning strategy					

8. What other aspects of the future issues does your bank consider when developing positioning strategies?

……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………
……………………………………………………………………………………

Information collection

9. Rate the extent to which your organization collects and considers the following information when making positioning strategies.

(1) (2) (3) (4) (5)

	Not considered	Less Extent	Moderate extent	Great extent	Very great extent
The progress of performance of the bank					
The survival/failure aspects					
The market information					
Competitive strategies of rivals					

10. What other intelligence information does your bank consider when making strategic positioning moves?

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

……………………………………………………………………

Thank you

Appendix 2: List of Commercial Banks

1. African Banking Corporation
2. Akiba Bank Ltd.
3. Bank of Africa Kenya Ltd
4. Bank of Baroda (Kenya) Ltd
5. Bank of India
6. Barclays Bank of Kenya Ltd.
7. Cfc Stanbic Bank Ltd
8. Chase Bank Ltd
9. Citibank N.A. Kenya
10. City Finance Bank Ltd
11. Co-operative Bank of Kenya
12. Commercial Bank of Africa
13. Consolidate Bank of Kenya
14. Credit Bank
15. Development Bank of Kenya
16. Diamond Trust Bank Ltd
17. Dubai Bank Kenya Ltd
18. EABS Bank Ltd
19. Equatorial Commercial Bank Ltd
20. Equity Bank
21. Family Bank Ltd
22. Fidelity Commercial Bank Ltd
23. Fina Bank Ltd
24. Giro Commercial Bank Ltd
25. Guardian Bank Ltd
26. Habib Bank AG Zurich
27. Habib Bank Ltd
28. Housing Finance Ltd
29. Imperial Bank Ltd
30. Investment & Mortgages Bank Ltd

31. K-Rep Bank Ltd
32. Kenya Commercial Bank Group
33. Kestrel Capital (East Africa) Ltd.
34. Middle East Bank (Kenya) Ltd
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank Ltd
38. Paramount Universal Bank Ltd
39. Prime Bank Ltd
40. Southern Credit Banking Corporation Ltd
41. Standard Chartered Bank (Kenya) Ltd
42. Transnational Bank Ltd
43. Victoria Commercial Bank Ltd