STRATEGIES ADOPTED TO ACHIEVE A SUSTAINABLE COMPETITIVE ADVANTAGE BY STANDARD CHARTERED BANK KENYA LIMITED

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DECLARATION

This research project is my original work and has not been presented for award of any degree in any other university

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DEDICATION

This work is dedicated to my lovely parents Francis and Rachel Wachiuri and my two sisters Elizabeth and Millicent Wachiuri, for their invaluable understanding and support.

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ABBREVIATIONS

SCBK – Standard Chartered Bank Kenya Limited.

CBK – Central Bank of Kenya.

CSR – Corporate Social Responsibility.

RBV – Resource Based View

ABSTRACT

A company must respond strategically to competition in order to achieve sustainable long-term profitability and a competitive advantage. This will involve the formulation and implementation of strategies that will be superior to competitors and that are sustainable. A strategy is about the direction in which an organisation is trying to get in the long-term and how it intends to get there competitively. The Kenyan banking industry has experienced tremendous growth in the past decade. The growth has led to increased competition as the banks strive to gain and retain their market share. New competition from the micro finance institutions and mobile banking from the Mpesa services has also changed the dynamics of the banking industry and the banks have had to change some of their strategies and formulate others that would give them a competitive edge over their rivals in the long run. In light of this, this study attempted to look at strategies that Standard Chartered Bank Kenya Limited has implemented in order to achieve a sustainable competitive advantage. The study was guided by the following research objectives; to establish the competitive strategies that SCBK has adopted to achieve a sustainable competitive advantage and to identify challenges that SCBK has faced in its strategy implementation. Case study research design was adopted. This involved collection of in depth information for understanding of situations holistically and in context. The data was collected from primary and secondary sources. The primary data was collected from conducting interviews and direct observation whereas secondary data was collected from materials such as press releases and company website. Content data analysis was used to analyse the data obtained and this involved analysis and interpretation of the main concepts and contents relevant to the research objectives. The study revealed that strategies are positively correlated to sustainable competitive advantage. Organisation strategies are therefore important for its sustainability. The study also revealed that resource based view theory contributes a lot in strategy formulation as evidenced by the many different strategies that have been implemented in the banking industry such as mergers and acquisitions, initial public offers, branding and restructuring. However there were some limitations in conducting the study. Time constraint did not allow for more and broad research in more banks and for this reason the study concentrated on just one bank. Conducting interviews was also difficult due to the stringent bank’s policy and the fear of information being shared with competitors. Despite these challenges the validity of the findings emanating from this study was upheld. The study recommended more investment in research and development of strategies in the banking industry to enhance innovation and industry sustainability. The study also recommended that all the stakeholders should be involved in strategy formulation and implementation. A suggestion for areas of further research is on long term strategies that banks can utilise to remain competitive and grow the industry. This is because globalisation, rapid change in technology, converging of markets and of regulations, and change in consumer rights is changing the dynamics of the industry and therefore creating more threats.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

For a company to sustain long-term profitability and a competitive advantage, the company must respond strategically to competition. This will involve the formulation and implementation of strategies that will be superior to competitors and that are sustainable. A strategy is about the direction in which an organisation is trying to get in the long-term and how it intends to get there competitively putting into consideration the values and expectations of its stakeholders. Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson, Scholes and Whittington, 2008).

In developing an effective strategy that enhances a company's long-term profitability, Porter (1979) suggested that a firm must position itself where the forces of competition are weakest, exploit changes in the forces and reshape the forces in their favour. Porter argues that there are five competitive forces that shape strategy; powerful customers, powerful suppliers, threat of new entrants, threat of substitutes and rivalry among existing competitors. Awareness of the five forces can help an organisation understand the structure of its industry and stakeout a position that is more profitable in the long-term and less vulnerable to threats. The strongest competitive force or forces determine the profitability of an industry and become the most important to strategy formulation.

The banking industry in Kenya is one of the most dynamic and important industries to the economy. The industry has recently experienced phenomenal growth and is one of the fastest growing industries in Africa. The growth has mainly been supported by the expansion of banks into new market segments and especially in East Africa, prudent risk management and enhanced economic prospects. The Central Bank of Kenya expects the banking sector to continue on this growth and especially due to ongoing reforms and initiatives by the Government and itself that will serve to further propel the banking sector to new frontiers. This growth and investment opportunities have forced banks to re-examine their strategies and develop strategies that enhance service delivery and competitiveness in the industries. This has been in areas such as cost reduction through restructuring and going green initiative, employee satisfaction models, benchmarks, and recruitment of competent staff. Standard Chartered Bank Kenya Limited is one of the oldest and main players in the Kenyan banking industry. In asset base, it is ranked fourth in Kenya and is among the biggest banks in East Africa. The bank has been undergoing an expansion program in order to support its strong growth. The growth is especially in lending and expansion of operations in other neighbouring and regional countries with particular interest in Rwanda and Ethiopia.

1.1.1 Strategies and Competitive Advantage

For an organisation to have a sustainable competitive advantage, the firm needs to be able to create higher value than its industry rivals. The firm also needs to be able to capture the value that it creates in the form of revenue that exceeds its total cost. Thompson, Gamble and Strickland (2006) stipulates that while core competences and competitive capabilities are a major asset in executing a strategy, they are equally important avenue for securing a competitive edge over rivals in situations where it is relatively easy for rivals to copy smart strategies.

Pearce, Robinson and Mital (2010) define strategy as a company's game plan and as large scale future oriented plans for interacting with the competitive environment to achieve company objectives. It reflects a company awareness of how, when and where it should compete; against whom it should compete; and for what purpose it should compete. Strategic decisions have various dimensions; strategic issues that require top-management decisions, strategic issues that require large amounts of firm's resources, strategic issues that affect the firm's long term prosperity, are future oriented, have multifunctional or multi-business consequences and issues that require considering the firms external environment.

Most products provided by a bank are a replica of what other banks are offering or a slightly enhanced product from other rivals. Anytime rivals can readily duplicate successful strategy features, making it difficult to out-strategies rivals and beat them in the market place with a superior strategy. The chief way to achieve lasting competitive advantage is to out-execute them. This can involve building core competences and competitive capabilities that are difficult or costly to rivals to emulate and that push the company closer to true operating excellence and promote very efficient strategy execution. Core competences and competitive capabilities present resources strengths that are often time consuming and expensive for rivals to match or trump. Any competitive edge they produce tends to be sustainable and pave way for above average company performance.

1.1.2 The banking industry in Kenya

An industry is a group of firms that produce products or provides services that are close substitutes for each other. Industry structure drives competition and profitability. It also influences the range of strategies available to an organisation. Industry structure, as manifested in the strength of the competitive forces, determine the industry long-run profit potential because it determines how the economic value created by the industry is divided, how much is retained by companies in the industry versus bargained away by customers and suppliers, limited by substitute or constrained by potential new entrants. An organisation must therefore understand its industry structure when formulating its strategies. By analysing the competitive forces, an organisation is able to understand what influences profitability in its industry.

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). According to data from CBK (2013), currently there are forty three licensed commercial banks and one mortgage finance company. Out of the forty four institutions, thirty one are locally owned and thirteen are foreign owned. The foreign ownership is determined by foreign shareholding greater than fifty percent of the organisation. The locally owned financial institutions comprise three banks with significant shareholding by the Government and State Corporations; Consolidated Bank of Kenya, Development Bank of Kenya and National Bank of Kenya, twenty seven commercial banks and one mortgage finance institution.

The banking industry in Kenya is very competitive. This is in terms of deposit base, customer retention and the products and services in which they provide. Over the last few years, the banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. According to PricewaterhouseCoopers (2012), the growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region, automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products. Players in the banking sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. Mobile banking e.g. M-pesa is a substitute to some of the banks' products and has put a strain on the profit margins of the banking industry. This is because customers have an access to some similar services offered by the banks, for example, through mobile banking customers can bank their money, make transfers and save up.

1.1.3 The Standard Chartered Bank Kenya Limited

Standard Chartered Bank Kenya Limited is a subsidiary of Standard Chartered PLC. Standard Chartered PLC is a multinational banking and financial services company. While the bank is incorporated in the United Kingdom, the bank mainly operates in Asia, Africa and the Middle East with the majority of its profits coming from these regions. The Standard Chartered Bank Kenya Limited was established in 1911 with the first branch opened in Mombasa Treasury Square. The chief executive officer is Richard Etemesi and the chair of the board of directors is Anne Mutahi.

The Standard Chartered Bank Kenya Limited is one of the leading banks in Kenya, with an excellent franchise and brand. It has a total of thirty three branches spread across the country, ninety automated teller machines (ATMs) and one thousand six hundred and ninety eight employees. The bank has local shareholding of about twenty six percent and has been a public quoted company on the Nairobi Securities Exchange since 1989. The bank trades under the symbol SCBK.

The Standard Chartered Bank Kenya Limited was the first Kenyan bank to be awarded the ISO 9002 certification in technology systems. The Kenyan subsidiary hosts the regional shared service centre supporting the bank's technology operations in Uganda, Tanzania, Zambia, Botswana and South Africa on a real time basis. The bank was the first bank to introduce in Kenya the first automated banking centre for 24-hour convenience. The Standard Chartered Bank Kenya Limited is committed to building a sustainable business in Kenya and believes that building a sustainable business will drive shareholder value. The bank's capital base, deposit base, and lending portfolio is reported in Kenya Shillings, and offer a variety of local and foreign currency accounts, both deposit and loan. The bank has a diversified portfolio cutting across select sectors that include business services, manufacturing, wholesale and retail trade, transport and communication, real estate, agriculture, energy and water. The Standard Chartered Bank Kenya Limited was also the first bank to launch banking business solutions for corporate customers and has also been awarded several awards for their excellence services e.g. Best Foreign Bank in Kenya 2012-EMEA Africa Finance Awards and second position Best Bank in Kenya 2012-Think Business Banking Awards.

1.2 Research Problem

In order to survive in a dynamic environment, organisations need strategies that focus on their customers and other stakeholders. The strategies should adequately respond to competition and changing environment. For a sustainable competitive advantage, an organisation must have in place strategies that are superior to its competitors. If superior and competitive strategies are effectively adopted, an organisation can achieve long term and sustainable profitability and competitive advantage. To achieve any competitive advantage, a firm has to look deeply into what it can achieve and how to use what it has for realisation of success (Passemard and Kleiner, 2000).

The banking industry in Kenya has experienced tremendous growth over the past few years. The banks have employed different strategies which have yielded different performance results. Some of the strategies that banks have employed include mergers and acquisitions, regional expansion, branding, restructuring, divestitures and marketing. With the different results, one would wonder just what is the best strategy or strategies for a bank to adopt and achieve a sustainable competitive advantage.

In the past, strategies and competitive advantage in the African and especially Kenyan banking industry was an understudied area. The studies and research in the banking sectors were mainly on specific studies and especially on marketing rather than on strategy implementations. The research was also mostly conducted in the European market for example by Engwall, Marquardt, Pedersen and Tschoegl (2001). There have however been a lot of studies in the recent past by various authors which concentrate on the Kenyan banking industry such as Simiyu (2011) studied on strategies adapted by Equity Bank to develop sustainable competitive advantage, Maina (2011) studied on growth strategies adopted by Ecobank Kenya Limited, Wasike (2010) conducted a research on strategies adopted by Barclays Bank of Kenya in counteracting industry competition, Mumo (2012) researched on strategies used by Standard Chartered Bank in building a sustainable competitive advantage in international banks whereas Mutai (2012) researched on competitive strategies adopted by Microfinance Institutions in Kenya.

Arising from the above and various studies, it is evident that different banks adopt unique and different strategies to remain competitive. The study therefore aimed to determine the various strategies Standard Chartered Bank Kenya Limited has adopted in order to achieve a sustainable competitive advantage and the challenges that the bank has experienced in implementing them.

1.3 Research Objectives

The study was guided by two research objectives.

(i) To establish the competitive strategies adopted by SCBK to achieve a sustainable competitive advantage.

(ii) To identify the challenges that SCBK has faced implementing the strategies.

1.4 Value of the study

The value of this study was to assist in identifying and highlighting strategies that SCBK has adopted to achieve a sustainable competitive advantage. It is therefore hopeful that the results and the information obtained from this study will be useful to the stakeholders of the bank in understanding the operations of the bank, how the bank handles competition and the long term objectives of the bank. The aim was also for bank's shareholders to understand how their wealth is being managed.

The study findings was also to benefit the employees in better understanding their company and assist them in determining which strategies are important for the bank to be successful and achieve its long term goals. The managers were to have a better understanding of strategies that relate to the industry and their correlation to the bank. The executive were to benefit in terms of guidance on how to strategically position the bank in the industry.

The researchers and practicing community was to benefit from the study in terms of guidance for positioning their current and future research. The findings and gaps of this study may pose as ground for further research. The research was also to assist the practitioners in building a long run advantage and competitive flexibility. Lastly, the study was to benefit the academicians in pursuit of knowledge about strategies adopted by Standard Chartered Bank Kenya Limited.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter reviews literature that is relevant to the area of study. It will review secondary literature on the theoretical foundation of the study, competitive strategies and competitive advantage.

2.2 Theoretical foundation

The concept of strategy is a multidimensional concept that has been widely used and applied in all fields of study. Strategy defines an organisation long term goals, purpose and objectives. Strategy deals with the organisation competitive advantage, positioning of the organisation in the environment and defines the business of the organisation. There are various theories of strategy that attempt to explain the underlying forces which produce a sustainable competitive advantage.

The game theory also known as strategic conflicts model was first introduced by Shapiro (1989) and suggests that a firm can achieve sustainable advantage by influencing the actions of its rivals. This is through superior strategies and maneuvers intended to outwit its competitors. The success of these maneuvers is dependent on what one firm thinks another firm will do in a particular situation and how it will react to different situations and environment.

Strategic group theory was introduced by Hunt (1972). Hunt observed that there appeared to be in existence performance differences between groups of firms within the same industry as well as across industries. Hunt described strategic groups as a group of firms within the industry that are highly symmetric with respect to cost structure, the extent of vertical integration, degree of product differentiation and degree of product diversification. Strategic group theory therefore suggests that groups companies within an industry may have similar combinations of strategies.

Porter (1980) generic competitive strategy theory argues that there are three generic strategies that a firm can adopt. The strategies include focus, cost and differentiation. In cost leadership the firm seeks to be the low-cost producer in its industry. In differentiation, the firm seeks to provide product benefits that other firms do not provide. In focus, the firm targets a niche with either a cost or a benefit (differentiation) focus. Porter suggested that a firm's strength ultimately falls into one of these strategies and how it strategically positions itself with the competition.

Resource based view theory by Wernerfelt (1984) introduced the importance of an organisation unique resources to gain a sustainable competitive advantage. The theory suggests that strategy of a firm is a function of the resources that the firm owns. These resources determine how well that company performs its activities and betters its competitors. A company will be successful if it has the best and most unique resources relevant for its business and strategy.

2.3 Competitive strategies

Competitive strategy is about being different. It is deliberately choosing a set of different activities in order to deliver unique and sustainable results. A competitive strategy is also a set of actions that a firm is taking to optimize its future competitive position.

Porter (1980) model of generic competitive strategies stipulates three generic strategies and these include cost leadership, differentiation and focus. Porter further stipulates that strategic decisions are ones that are aimed at differentiating an organization from its competitors in a way that is sustainable in the future. This is different from decisions based on operational effectiveness which are aimed simply at doing existing activities better. Porter argues that to be sustainable, a strategy must be difficult to imitate. Porter also suggested that competitive strategy involves positioning the business to maximise the value of the capabilities that distinguish it from its competitors. Strategic positioning involves a firm identifying a portion of its industry where the competitive forces are weaker; where it can avoid buyer and supplier power, threats to new entrants and substitutes and price-based rivalry. The firm then tailors its value chain to cope well with the forces in its segment or industry. This is essential in formulation of long-term, sustainable and effective strategies. According to Porter (1985) for organisations to survive in the market, they should formulate strategies that adequately respond to the competition. Such strategies should place them at a position of advantage in the market and give them a competitive advantage in the market and give them a competitive edge.

Porter (1979) introduced the five competitive forces framework. Porter argues that there are five forces that influence industry structure and therefore an organisation's strategies. Industry structure strongly influences the competitive nature and range of strategies open to the organisation. Pearce et al., (2008) stipulates that designing viable strategies for a firm requires a thorough understanding of the firm's industry and competition. Pearce et al., suggest that a firm's executives need to address four questions: What are the boundaries of the industry? What is the structure of the industry? Which firms are our competitors? What are the major determinants of competition? and that the answers to these questions provide a basis for thinking about the appropriate strategies that are open to the firm.

Mintzberg (2002) defined strategy as a plan, ploy, pattern, position and perspective. Strategy as a plan specifies an intended course of action and is designed in advance of the actions it governs. Strategy as a ploy is specific maneuvers intended to outwit a competitor. Strategy as pattern is developed without pre-conception and patterns emerge from a set of actions. Strategy as a position is locating an organisation in the environment in which it can develop as sustainable competitive advantage. Strategy as a perspective gives an organisation an identity and reveals the way an organisation perceives the external environment.

Barney (2007) defines a competitive strategy as a firm's theory of how to achieve high levels of performance in the markets and industries within which it is operating. Barney explains that there are two levels of strategic decisions; business level strategies and corporate level strategies. Business-level strategies are actions firms take to gain advantages in a single market or industry and these include cost leadership, product differentiation, flexibility etc. Corporate-level strategies are actions that firms take to gain advantages by operating in multiple markets or industries and these include diversification strategies, merger and acquisitions and international strategies.

Whittington (2002) describes four different perspectives on strategy. These include the classical perspective, the evolutionary perspective, the processual perspective and the systemic perspective. The classical perspective assumes that the manager has near to complete control over how to allocate the internal and external resources of the firm, and can thus manipulate the internal organization of the firm to better suit these objectives. In this view, strategic behaviour is guided by rationality, opportunism and self-interest. The evolutionary perspective places emphasis on behavioural differences between firms and on the market selection mechanisms that allow some firms to grow and survive and others to fail. The processual perspective holds that economic outcomes emerge from the interactions between individuals and between individuals and their environment. The result of this interaction is unpredictable because actions are often unintended. The systemic perspective argues that each of the above approaches is characterized by a narrow view of the world and that the rationality of a particular strategy depends on its specific historical, social and cultural context.

There are two basic frameworks that seem explain the various models of strategy development in organizations; strategic fit and strategic stretch. Strategic fit is developing strategies by identifying opportunities in the business environment and adapting resources and competences so as to take advantage of these opportunities. Strategic stretch is the leverage of the resources and competences of an organization to provide competitive advantage and yield new opportunities.

2.4 Sustainable Competitive Advantage

For a strategy to be sustainable, it must be different to imitate. Companies must be flexible to respond to competition and market changes. Companies must nurture a few competences to stay ahead of rivals and achieve a sustainable competitive advantage. With globalisation, markets are opening up and regulations easing up. This has led to some barriers of competition falling and making competitive advantage temporary and difficult to sustain.

According to Barney (2007), a firm has a competitive advantage when it is able to create more economic value than its rival firms. Economic value is explained as the difference between the perceived benefits gained by a customer who purchases a firm’s products and services and the full economic cost of these products and services. Thus, the size of a firm’s competitive advantage is the difference between the economic value a firm is able to create and economic value its rivals are able to create.

Shapiro (1989) links competitive strategy and competitive advantage using the game theory. Shapiro argues that an organisation can influence the competitive behaviour of other organisation in the industry. This can be done through manipulation and sending different signals to the organisation’s competitors. Shapiro further explains how a firm can influence the actions of rival firms and thus the market environment. The key idea is that by manipulating the market environment through influencing the actions and behaviour of its rivals, a firm may be able to increase its profits. Superiority of the firm depends largely on its ability to out-wit and how it out-maneuvers its rivals. This will greatly depend on what one firm thinks a rival will do in a particular situation and swiftly reacting to this. This view recognizes the role of strategic signaling as an important mechanism for influencing or intimidating rivals as a means of achieving a sustainable competitive advantage.

Porter (1980) competitive forces model argues that intensity of competition determines the profit potential for individual firm in its industry. Porter suggested that a firm must position itself where the forces of competition are weakest, exploit changes in the forces and reshape the forces in their favour. Porter (1979) suggests that there are five competitive forces that shape strategy and competition in an industry; bargaining power of buyers, bargaining power of suppliers, threat of new entrants, intensity of rivalry and threat of substitutes. The collective strength of the five forces determines the ultimate profit potential of an industry with the strongest force having a big influence. Whatever their collective strength, the corporate strategists goal is to find a position in the industry where his or her company can best defend itself against these forces or can influence them in its favour. Knowledge of these underlying sources of competitive pressure provides the groundwork for a strategic agenda of action, highlight the critical strengths and weaknesses of the company, animate the positioning of the company in its industry, clarify the areas where strategic changes may yield the greatest payoff, and highlight the places where industry trends promise to hold the greatest significance as their opportunities or threats (Pearce et al., 2008).

Thompson et al., (2006) stipulates that core competences and competitive capabilities are important avenue for securing a competitive edge over rivals in situations where it is relatively easy for rivals to copy smart strategies. Competitors can easily copy a firm's successful strategies and therefore making it difficult for a firm to out-smart the competition with superior strategies. For a firm to achieve a sustainable competitive advantage, the firm must out-execute its strategies. This can involve building competitive capabilities and core competences that are difficult for rivals to duplicate.

Hamel and Prahalad (1994) also focus on core competencies and argue that a firm's sustained competitive advantage is to be found in its core competencies. In order for a competence to be a core competence, three criteria have to be met. These include, the competence has to provide access to more than one market, the competence must give a significant contribution to the end product and lastly, the competence must be difficult for competitors to imitate. Accordingly, if a company possesses a core competence and understands how to take advantage of it, it can lead to sustained competitive advantages.

According to Wernerfelt (1984), strategy of a firm is a function of the complement of the resources that the firm holds. Wernerfelt suggested that competitive advantage is created when resources that are owned exclusively by the firm are applied to developing unique competencies. The resulting advantage can then be sustained due to lack of substitution and imitation by the firm's competitors. Wernerfelt resource based view on competitive advantage is based on the view that firms are heterogeneous and that the firm's competitive advantage can be attributed to ownership of valuable resources that its competitors does not own. The unique and valuable resources enable the firm to perform its activities better than its competitors. Competitive strategies are also based on these resources and how a firm deploys them. he resources a firm holds therefore determine how well that firm perform its activities and how a firm will be positioned to succeed if it has the best and most appropriate stock of resources relevant for its business and strategy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The main objective of the study was to investigate the strategies that SCBK has adopted to achieve a sustainable competitive advantage. This chapter outlines the approach that was used in carrying out the study. It discusses the research design, data collection and data analysis.

3.2 Research Design

Case study research design was adopted in this study. Case study involves collection of in depth information for understanding of situations or phenomenon, holistically and in context. According to Kombo and Tromp (2006) a case study design is a way of organising educational data and looking at the object to be studied as a whole, and should be used when one is intending to analyse an issue in detail. The case study design was therefore appropriate as the objective of the study was to have a detailed analysis of competitive strategies that Standard Chartered Bank Kenya Limited has implemented in order to achieve a sustainable competitive advantage in Kenya.

Research design is the blueprint or plan that guides a researcher in the various stages of research. Orodho (2003) defines research design as the scheme, outline or plan that is used to generate the answers to research problems. Kombo and Tromp (2006) defines it as the "glue" that holds all of the elements in a research project together. A research design is used to structure the research, to show how all of the major parts of the research project work together to try to address the central research questions.

3.3 Data Collection

Data collection refers to gathering of information to serve or prove some facts (Kombo and Tromp, 2006). Data collection was from primary and secondary sources. The researcher collected primary data using a structured interview guide (closed ended), unstructured (open ended) questions and by observation. Ten line managers from the various functions of the bank were targeted as the interview respondents. The researcher conducted the interviews and the direct observation in person. Secondary data was collected from already existing materials such as company's website, company's reports and announcements and other external sources such as the media.

According to Cooper and Schindler (2003) interview guide helps obtain in depth information as the researcher can adapt the questions as necessary, clarifies doubts and ensures that the responses are well understood through paraphrasing or repeating as required. Interviews and direct observation were main methods of collecting data. Necessary care and due diligence was put in place which ensured the validity and reliability of the data collection.

3.4 Data Analysis

Data analysis refers to examining what has been collected in a survey or experiment and making deductions and inferences. It involves scrutinizing the acquired information and making inferences (Kombo and Tromp 2006).

Data was analysed using thematic and content analysis. The data analysis involved the initial steps of editing and cleaning up data collected from interviews and observation. The refined data was then analysed by use of thematic and content analysis. This involved analysing major concepts, contents or themes relevant to the research objective and interpreting them to draw conclusions and recommendations.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter presents an analysis of the data, results and discussion based on the research objectives and the research methodology. The objectives of the research were to investigate strategies adopted to achieve a sustainable competitive advantage by Standard Chartered Bank Kenya Limited and challenges encountered. Case study research design was used and data collected through direct observation and conducting interviews of the bank's line managers. The interviews were both structured and unstructured. The interview guide was used to assist in conducting structured interviews. Secondary data from secondary sources was also used. The data collected from the research was qualitative in nature and therefore analysed through content analysis.

Understanding industry structure is essential to effective strategic positioning and strategy formulation. Industry structure drives competition and profitability. According to Porter (1979) there are five forces that drive an industry structure and shape the nature of competition in an industry; powerful customers, powerful suppliers, threat of new entrants, threat of substitutes and rivalry among existing competitors. Understanding these competitive and underlying causes reveals the roots of an industry current profitability while providing a framework for anticipating and influencing competition and profitability overtime. The strongest competitive force or forces determine the profitability of an industry and becomes the most important to strategy formulation. The data collected suggest that three competitive forces affect the Kenyan banking industry. These are powerful customers, threat of substitutes and rivalry among existing competitors. Over the years, the rivalry in the banking industry has become intense as both the local and the foreign banks fight for the market share and dominance. Threat of substitutes is from the microfinance institutions and mobile banking facilities that have been offering services that traditional banks have been offering. Powerful customers, however, seems to be the strongest competitive force that determine the profitability of the Kenyan banking industry. This could be in line with the industry being a service industry. Other reasons that make the customers have a strong bargaining power are that the industry products are standardized and not very undifferentiated, few switching cost and high government regulations and policies favouring customer. The new consumer protection act further strengthens the customers' bargaining power.

SCBK has experienced growth in revenues, customer base and market share. The bank had a thirty eight percent rise in net profits for the year end 2012 compared to 2011. This increase in profits was from growth in consumer banking which the bank had been targeting and has been exploiting for future growth. Strong growth in consumer deposits and loans helped the bank increase its income. The 2012 results placed the bank at fourth in earnings list of the banks in Kenya, however, the bank had moved in third position in 2013 first quarter.

The chapter therefore highlights strategies adopted by SCBK, challenges encountered and a comparison with theory and other empirical studies. A total of four interviews were conducted out of the ten that had been targeted, however the researcher was able to diligently observe the bank's operation for the last three month. The secondary data was obtained from the company's website, company's reports and announcements and other external sources such as the media.

4.2 Strategies and Sustainable Competitive Advantage

Businesses achieve sustainable success because they posses some advantage relative to their competition. The study therefore sought to find out the types of strategies adopted by Standard Chartered Bank Kenya Limited to achieve a sustainable competitive advantage

Standard Chartered Bank strategic intent is to become the world's best international bank, leading the way in Asia, Africa and the Middle East. The bank expects to do this by building a sustainable business over the long term and be trusted worldwide through building stronger relationship with its clients and customers, superior financial performance, innovation and digitization, upholding high standards of ethics and corporate governance, social responsibility, and fulfilling the brand promise for 'Here for good". Over the years, the bank has adopted various strategies that have enabled it to remain competitive. There are however five strategies that stood out from the study out of the many that the bank has successfully adopted. These include brand differentiation, corporate social responsibility, customer relation management, organisation culture and innovation and digitization.

4.2.1 Brand Differentiation

"It takes years to build a brand and only seconds to destroy it". A brand is an intangible resource that a firm can utilise to obtain a competitive edge and especially in attaining and retaining customers' loyalty. Customers offer their loyalty with the implicit understanding that the brand will behave in certain ways and provide them with consistent benefits and performance. A brand can also be defined as the personality that identifies a product, service or a company and how it relates to the stakeholders. Proper branding can result in increased revenues and therefore firms can utilise their brand for gaining competitive advantage. Through the practice of branding a company is able to provide a meaningful framework by which it can establish an active relationship with its new and old customers. By having a successful branding strategy, customers are able to remember a particular company and what it stands for, what type of products it sells, the quality of those products and also what to expect when using its products.

Porter (1980) suggested differentiation as one of the three generic strategies that a firm can adopt. Porter further suggested that strategic differentiation involves differentiating an organisation from its competitors in ways that are sustainable in the future. Brand differentiation can be one of the strategies in which a firm can set itself apart from its competitors. From the research, it is evident that SCBK values its brand and is one of its key competitive advantages. The bank's brand is identified with excellent financial performance and sustainability. The bank's brand promise "Here for Good" reflects its prudent nature which the bank is recognised for. The bank believes that in order to have sustainable growth and fulfill their brand promise, it must be prudent in its strategies that are not overzealous in projections. True to their brand promise, the bank has been in operation for more than one hundred years in Kenya. This also involves operating with integrity, ethics and strictly following regulations. There are three pillars that guide the bank in what it does in order to be here for good; here for people, here for progress and here for the long run. Here for the people involves deep long run relationship with the clients. Here for progress involves positive contribution to the society. Here for the long run involves superior financial performance, longevity and history.

4.2.2 Corporate Social Responsibility (CSR)

In recent years, scholars and executives have devoted attention to the implications of CSR policies and practices as well as their relation to business strategy (McWilliams, Siegel, and Wright, 2006). McWilliams and Siegel (2001) define CSR as situations where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law. Firms can strategically engage in CSR to achieve a competitive edge.

Wernerfelt (1984) resource based view suggests that firms have heterogeneous resources and capabilities and if these resources and capabilities are valuable, rare, inimitable and non-substitutable, they can constitute a source of sustainable competitive advantage. CSR is an internal resource that an organisation can utilise to achieve a competitive advantage. Resources such as good corporate governance, social-environmental projects and ethical management in business can be a unique and differentiating source of competitive advantage.

Porter and Kramer (2006) discuss the existence of the interdependence between corporations and society, since a company’s activities have a direct impact on the communities with which they work. Husted and Allen (2001) also state that CSR strategies can create competitive advantages if used properly; pointing out that there is a positive association between strategic social responsibility actions and competitive advantage.

Organisations today understand that CSR forms an indestructible part of their reputations and image. RBV theory indicates that a critical source of difference between firms is the resources and capabilities that they possess and contribute to their potential competitive advantage; CSR represents a valuable strategic asset. CSR activities contribute to social progress and are intended to enhance corporate images. Hillman and Keim (2001) suggest that corporate social performance can play a major role in developing value-creating relationships with primary stakeholders. Waddock and Graves (1997) also suggest that a firm’s social values and actions can contribute positively to its strategy.

The data collected for the SCBK case study offer evidence of some competitive advantage and benefits obtained through CSR activities, including customer loyalty, employee motivation and reputation enhancement. For instance, the major competitive advantage for SCBK through CSR is mainly related to image and reputation. SCBK is committed to building a sustainable business in Kenya and supports projects that focus on social-economic development that aim to create value for its shareholders and society in the long run. The bank has heavily invested in the Kenyan community in which it operates in through various initiatives and sponsorships aimed at enriching and empowering the community as well as deepening their relationships with customers and key stakeholders. The bank’s “Seeing is Believing” is a successful community initiate which the bank sponsors and whose aim is to eradicate avoidable blindness among children. The initiative is funded from the proceeds of the Standard Chartered Nairobi Marathon which has been held in every October for the last ten years. The bank has so far raised over one million US dollars and as a result over four thousand five hundred children under the age of nine have undergone surgery and regained their sight. The bank also gives to its employees three leave days in September for employee community volunteering and sponsors students at Starehe Girls Center. Through these initiatives, the bank has been able to map itself in the industry as a socially responsible bank that values its customers and its society.

4.2.3 Customer Relationship Management

Customer relationship management can be one of the strategies a firm can adopt to achieve a sustainable competitive advantage. The adoption of customer oriented strategy is based on the premise that the company will focus on whatever makes the customer happy. This strategy focus on what the customer wants from the company and how to provide that. This will focus on the value that the customer will obtain from the firm's goods and services rather than what the company would provide for the customers.

Standard Chartered Kenya has made a strategic change by moving from product led approach to a customer focus one that is based on need based solutions. Need based solutions involve listening to customers, understanding their unique needs or financial events that customers want to solve and offering products and services that suit them best.

Standard Chartered Kenya believes that excellent customer service is of utmost importance because their customers "buy the product once and own the service forever". Customer focus involves providing superior services, delivering fast and accurate solutions for the customers and building relationships. This also involves placing customer at the center of everything the bank does, from understanding customer needs to designing better suited products to prevent over-leveraging and protecting vulnerable customers to ensuring that customer complaints are handled in a timely, efficient and a fair manner.

4.2.4 Organisation Culture

Organizational culture can be defined as a set of values, beliefs, assumptions, and symbols that define the way in which a firm conducts its business. A firm's culture is one of several attributes that differentiate firms one from another and it is in these sustainable differences between firms that explanations of sustained superior financial performance must be sought (Alchian and Demsetz, 1972). According to Barney (1986) in order for a firm's culture to provide sustained competitive advantages, and thus, by implication, be a source of sustained superior financial performance, three conditions must be met. First, the culture must be valuable; it must enable a firm to do things and behave in ways that lead to high sales, low costs, high margins, or in other ways add financial value to the firm. Because superior financial performance is an economic concept, culture, to generate such performance, must have positive economic consequences. Second, the culture must be rare; it must have attributes and characteristics that are not common to the cultures of a large number of other firms. Finally, such a culture must be imperfectly imitable; firms without these cultures cannot engage in activities that will change their cultures to include the required characteristics, and if they try to imitate these cultures, they will be at some disadvantage (reputational, experience, etc.) compared to the firm they are trying to imitate. A firm that has a valuable, rare, and imperfectly imitable culture therefore enjoys a sustained competitive advantage that reflects that culture.

The study revealed that SCBK lives on five core values; courageous, responsive, international, creative and trustworthy. These values also define its strategy. The bank believes that if a business deal does not cater for these values no matter how profitable, it is not worth investing. The bank doesn’t focus on profits only but also on how the profit or the business deals are obtained. The values act as the bank's moral compass and are the reason why clients and customers choose to bank with SCBK, and also why many employees want to join and stay with the bank. The five core values are about openness, collaboration and putting the needs of the customer first. As subsidiary of an international bank, SCBK has a naturally diverse workforce and this provides the bank with a strong competitive advantage, enabling it to understand better the needs of those who bank with them. The bank has also invested in high-quality training for its staff, employee engagement and creating an inclusive culture among other initiatives especially in gender empowerment. These efforts are seen not only as ways of improving employee morale or quality of work life, but also as vital for improving a firm's financial performance.

4.2.5 Innovation and Digitisation

In today's highly competitive environment, companies must innovate in order to keep a head of their competitors. Companies strive to gain a competitive advantage by innovating new and unique products for their customers and improving processes in order to increase efficiency. Innovation is therefore imperative to achieve a sustainable competitive advantage. Tushman and Nadler (1986) suggested that organisations can gain competitive advantage only by managing effectively for today while simultaneously creating innovation for tomorrow. If an organisation is not capable of introducing innovations on an ongoing basis, it risks that it will lag behind its competitors. Innovation therefore is one of ways in which firms can compete strategically. For example advanced technology has facilitated e-banking and e-commerce. Through e-banking, customers can comfortably perform their transactions from their comfort zones whether at home or offices. This also provides time efficiency. Innovation of products and process can offer firms the opportunity for differentiation within its niche and thereby attaining superior profits.

SCBK has invested heavily on product innovation. The products offered by the bank are differentiated to suit their customers such that the customers are able fulfil all their needs. The banks offers borderless banking in that customers can transacts anywhere in the world. This is possible because of the banks investments in digitisation and also being a subsidiary of a multinational. The bank has also invested in internet and mobile banking. Standard Chartered Bank was awarded as the best Global and Africa Consumer Internet Banking by Global Finance for 2012. Straight to Bank is an internet banking platform that the bank has implemented and enables the customer to perform transactions anywhere in the world. The customers have access to view balances and transactions, and can initiate payment transactions from the comfort of their offices or homes. SCBK was the first bank in Kenya to introduce ATMs for 24-hrs banking convenience.

4.3 Challenges that SCBK has faced in implementing its strategies

Implementing a strategy is more challenging than formulating the strategy. The study revealed a few challenges that SCBK has faced in its strategy formulation and implementation. These include organisation structure, time constraint, financial constraints and macroeconomic constraints.

The bank has a complex organisation structure in that it is a subsidiary of an international bank. The bank is therefore affected by the parent company regulations which may be more stringent than the local regulations and thus giving the local banks a competitive edge. The time taken to make the strategic decisions also due to the organisation structure and following the long due process is also a hindrance to strategy implementation.

Political and economic factors have also been a major challenge. The country held its election in the beginning of the year which made the economic and political outlook volatile and have a lot of uncertainty. Regional expansion is also a challenge due to the different social, political, legal and economic factors in different countries. Fast pace and change in technology has made some products obsolete before their value is realised.

The cost and heavy investment required to implement some strategies is also a challenge. The bank has had to invest heavily in promotions and advertising in order to create awareness of its products and brand. Lack of internal sponsors for innovative employees has made the bank lose some important employees and a competitive edge as their competitors poach these employees and implement their strategies.

4.4 Discussion

This section discusses the research findings relative to theory and empirical studies. The section is therefore divided into two, comparison with theory and comparison with empirical studies

4.4.1 Comparison with theory

According to Keegan and Green (2008), competitive advantage exists when there is a match between a firm’s distinctive competences and the factors critical for success within an industry. This is consistent with our research findings. Brand loyalty is difficult to overcome when consumers feel that the brand consists of right product characteristics and quality at the right price. In order for Standard Chartered Bank

Kenya Limited to remain competitive on brand loyalty, the bank needs to ensure that they are abreast with technology which the bank seems to be doing from the research findings. Low staff turnover is also a key factor in ensuring customer loyalty.

Porter (1985) suggested four generic business strategies that should be adopted in order to gain competitive advantage; differentiation, cost, cost focus and differentiation focus. From the finding of this research, we can identify two strategies in which SCBK has utilised; differentiation and differentiation focus. These include brand loyalty, innovation, market differentiation, organisation culture and prudence. All these have made the bank capture unique markets which are very loyal.

Wernerfelt (1984) resource based view suggests that firms have heterogeneous resources and capabilities and if these resources and capabilities are valuable, rare, inimitable and non-substitutable, they can constitute a source of sustainable competitive advantage. SCBK has utilised its unique resources to stay ahead of its competitors. The bank is well known for its CSR and culture. CSR and organisation culture are valuable internal resource that the bank has utilised to achieve a competitive advantage.

4.4.2 Comparison with other empirical studies

Research studies carried out in the past by other researchers such as Simiyu (2011) on strategies adapted by Equity Bank to develop sustainable competitive and Maina (2011) on growth strategies adopted by Ecobank Kenya Limited indicated that organisations and banks success are linked to their strategies in which they have put in place and cannot operate successfully without developing strategies that define their long term direction and objectives. Well defined and implemented strategies can help an organisation to remain successful and have a competitive edge over its competitors.

The main objective of the study was to investigate the strategies that SCBK has adopted to achieve a sustainable competitive advantage. The findings of the study were similar to other empirical studies. The results indicate, just like the previous empirical studies, that superior strategies are positively correlated to sustainable competitive advantage. The empirical results of this study indicate that the different competitive strategies undertaken by SCBK have had an impact on the success of the bank. The bank has been able to remain competitive in the Kenyan banking industry for over a hundred years by developing clear and superior strategies based on the banks resources and the external environment.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The objective of the study was to establish strategies adopted by SCBK to achieve a sustainable competitive advantage and the challenges that the bank has faced. This chapter gives the summary of the findings, conclusions, recommendations, limitations and suggestions for further studies.

5.2 Summary

5.2.1 Strategies adopted by SCBK

The results of the study indicate that SCBK has adopted various strategies to enhance its competitiveness and include differentiation on brand, CSR, CRM, organisation culture and innovation and digitisation. The findings further show the positive correlation between the competitive advantages and the various strategic approaches employed by SCBK. According to the findings of the study, the various strategies adopted by SCBK have a positive impact on its performance both in the short-term and in the long-term.

An important observation is that technology and digitisation has improved the processes of transactions and products offering across the banking industry. The banks are competing on leading the industry in mobile and internet banking. The various technologies used have reduced costs of operations and services and a lot of savings have been achieved. Technology and innovation has also enhanced the products offered and improved customer service. Branding has also been a contributing factor in the banking industry and in the past year, Housing Finance and

National Bank of Kenya are examples of banks that have rebranded their company logo and image with the hope of gaining a competitive edge.

5.2.2 Challenges faced by SCBK while implementing its strategies

There are several challenges that the bank has encountered in its strategies implementation. This includes complex organisation structure, microeconomic factors employees' resistance to change. The bank has encountered various challenges when expanding into other regional market as the banks continues to grow due to the different political, social and legal requirements.

A dynamic and ever changing environment poses a challenge to strategy implementation. Change in technology which in recent year has been very rampant has made strategy implementation difficult as some strategies become obsolete before they are implemented and value realised. Volatile political and economic climate in Kenya has been a challenge in implementing some strategies.

5.3 Conclusion

The findings from the study revealed that changes in the external environment affect strategy formulation. Globalisation, political factors, economic factors and change in technology have been one of the main factors affecting Kenyan banks' strategy formulation. This has compelled banks to adapt to these competitive challenges by adopting various operating and marketing strategies in order to be responsive enough in the increasingly dynamic business environment. The empirical results of this study indicate that the different competitive strategies undertaken by SCBK have had an impact on the success of the bank.

The study concludes that SCBK has put in place excellent strategies that have made the bank be in existence in Kenya for more than one hundred years and still remain profitable. In addition banks should embrace, formulate and implement superior strategies in order to achieve sustainable competitive advantage. The banks can utilise their resources and competences to gain a competitive edge over their rivals.

The results reveal the importance of RBV theory in sustainable competitive advantage and competitive strategy. RBV argues that firms are heterogeneous and that the firm’s competitive advantage can be attributed to ownership of valuable resources that its competitors do not own. The unique and valuable resources enable the firm to perform its activities better than its competitors and hence achieve as sustainable competitive advantage. This is evident in the banking industry in that different banks have put in place different strategies based on their unique resources to gain a competitive edge.

5.4 Recommendations

Banks can develop superior strategies in two ways. One of the ways is by identifying opportunities in the business environment and adapting resources and competences so as to take advantage of these opportunities. The other way is by leveraging of the resources and competences of an organization to provide competitive advantage and yield new opportunities.

The study found that current competitive strategies adopted by banks play a significance role in determining the competitiveness of the industry, however, the extent to which the banks have adopted them varies hence the variance in their performance in the market. It is therefore recommended that the banks, practitioners and researchers should increase investment in research and development to enhance their innovation capability and identify their unique resources and capitalise on them in order to achieve industry sustainability.

The study revealed that strategy implementation is more challenging than strategy formulation. It is therefore recommended that all stakeholders, and especially shareholders and employees be involved in strategy formulation and implementation. This will enable them to have a clear understanding of the long term direction in which an organisation is headed and enable successful implementation since they will feel as part of the team and of interest to all.

More research is recommended on the concept of matching organisation structure to its strategy. This could enhance strategy formulation and implementation. This involves designing an internal organisation structure around tasks and activities most critical to success of a firm's strategy and requires making strategy-critical activities and organisation units the main building blocks in the organisational structure.

5.5 Limitations of the study

The focus of the study was to establish the relationship between the various competitive strategies adopted by SCBK to their sustainable competitive advantage. It is clear that a study of this magnitude should include an analysis of sizeable number of banks. However time and material resources did not make this feasible and for this reason the study concentrated on just one bank.

The researcher was also not able to get all the information and data from the various sources and especially from primary sources. Conducting interviews was difficult due to the stringent bank's policy and the fear of information being shared with competitors or misrepresentations of information obtained. Despite these challenges the validity of the findings emanating from this study was not compromised.

5.6 Suggestions for further research

A suggestion for areas of further research is on long term strategies that banks can implement to remain competitive and grow the industry. This is because change in technology, easing of regulations, globalisation and change in customer rights is changing the dynamics of the industry and therefore creating more threats.

Further research is also recommended on implementation and the evaluation phases of strategies. This is because the research came across various challenges and factors affecting strategy implementation of SCBK. The study established that strategy implementation is more challenging that strategy formulation.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE

SECTION A: INTERVIEWEE PROFILE

1) What is your position in Standard Chartered Bank?
2) How long have worked in the banking industry?
3) How long have you worked for SCBK?
4) Kindly give me an overview of the banking industry in terms of competition and the general business environment.
5) There are five competitive forces: power buyers, powerful suppliers, threat of new entrants, intense rivalry and threats of substitutes. What do you think is the main force that affects the banking industry?
6) Where does SCBK rank in the banking industry in terms of performance?
7) What is the bank's market share in the industry?
8) What products and services does the bank offer?
9) What is the trend of the bank's net income?
10) What is the bank's niche or what customers do the bank focus on?
11) Which opportunities do you expect the bank to exploit in the future to sustain its competitive advantage?
12) Does Standard Chartered have any formal strategies in place?
13) What are the examples of strategies that SCBK has in place?
14) Which strategy has been most successful and gives the bank competitive edge over its competitors?
15) Who is responsible for strategy formulation implementation?
16) How does SCBK evaluate its strategies?