

**RESPONSE STRATEGIES BY KENYA POST OFFICE SAVINGS
BANK TO CHANGES IN THE BUSINESS ENVIRONMENT**


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DECLARATION

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DEDICATION

This research project is dedicated to my Wife Mrs. Hellen Bett, my Son Brian Kiplagat, my daughters Yvonne Bett and Michelle Bett, My parents Mr. and Mrs. Henry Ngetich, my brothers and sisters and their families.

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I will always remember you and may God Bless you all.

ABSTRACT

The business environment within which businesses operate is very volatile. Therefore, organizations must develop appropriately response mechanisms to deal with the rapid change in their environment in order to survive and to achieve their strategic objectives.

This research was a case study of Kenya Post Office Savings Bank and it sought to determine the response strategies by Kenya Post Office Savings Bank to the changes in the business environment. The specific objective that was addressed was to determine the response strategies adapted by Kenya Post Office Savings Bank to the changes in the business environment. To achieve the objective of the study, primary and secondary data were collected. The primary data was collected using personal interview with the respondents who were mostly heads of departments of Kenya Post Office Savings Bank while the secondary data was collected from official documents within the bank and published Kenya Post Office Savings Bank annually reports i.e. annual strategic action Plan and annual financial statements. Content analysis was used to analyze the data to objectively understand the views presented by all respondents.

After the data analysis, it was observed that Kenya Post Office Savings Bank, like any other organization has responded to changes in the business environment as enumerated by the respondents through implementation of response strategies that include outsourcing, cultural change, branding, restructuring, distribution, adoption of new technological Development, Product Development and diversification, aggressive marketing and promotions.

The implication of this is that Kenya Post Office Savings Bank has to do all it takes to have Act repealed to allow the bank to lend to remain relevant and competitive in a dynamic environment. The bank should also aggressively market its products to create awareness in the market and needs to be active in the product and service innovation to retain and attract more customers.

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ACRONYMS AND ABBREVIATIONS

AMFI	Association of Microfinance Institutions
ASBEA	Association of Savings Bank of East Africa
ATM	Automated Teller Machine
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
ICT	Information and Communication Technology
MD	Managing Director
PCK	Postal Corporation of Kenya
POS	Point of Sale Terminal
POSTBANK	Kenya Post Office Savings Bank
WSBI	World Savings Bank Institute

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Organizations are open systems operating in turbulent environment and change is inevitable as yesterday's determinants of success can be today's and tomorrow's determinants of failure (Kotler, 2003). The general environment is composed of factors that can have dramatic effect on firm's strategy (Dess, Lumpkin and Taylor, 2006). Typically, a firm has little ability to predict trends and events in the general environment, and even less ability to control them. Therefore, organizations must respond appropriately to the changes in their environment in order to survive and to achieve their strategic objectives. As Charles and Gareth (1998) noted, changes may be technological, legal, products, markets and competitors, social, economic and political. These changes affect all organizations whether private, public, non-governmental and not for profit making organizations. The environments do not remain in the same state long enough for an organization to be able to respond and find a favorable competitive position and exploit it (Eisenhardt & Brown, 1998). The limited timeframe challenges firms to respond quickly and with resilience to external changes. As Hamel and Valikangas (2003, p.53) assert, "In a turbulent age, the only dependable advantage is a superior capacity for reinventing your business model before circumstances force you to".

According to Pearce and Robinson (2002) organizations are environment dependent, they depend on environment for survival and require money, equipment, human resources from the environment as input. Consequently, "turbulent environments call for organizations to be able to detect and respond to and create new opportunities and then select those that are worthy of actual resource allocation in order to be exploited for the

firm's benefit" (Cunha 2004, p.278) and the ability of firms to benefit from new opportunities requires them to develop new resources and dynamic capabilities over time rather than protect their unique resources.

1.1.1 Response Strategies

Response strategies are concerned with decisions and actions meant to achieve business objectives and purpose. Pearce and Robinson (2007) defined response strategies as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. According to Hitt *et al.*, (2004) response strategies or strategic action is a market-based move that involves a significant commitment of organizational resources and is difficult to implement and reverse. In order to effectively achieve the firm's objectives, these set of plans and actions must be strategically fit to the complexities and dynamism of a rapidly shifting environment.

Ansoff and McDonnell (1990) argued that response strategies can be done by positioning of the firm through strategy and capability planning in its rightful competitiveness, use of real time response through issue management and systematic management of resistance to change during strategic implementation. According to Ross (1996), the firm has to learn, adopt and reorient itself to the changing environment. He also postulates that when a discontinuity begins to affect a firm in a turbulent environment, brought about by globalization and trade liberalization for instance, its impact typically remains hidden within the normal fluctuations in performance. Timely response is critical to avoid adverse effects or missed opportunities. Costs of none response could be lost accumulative profits and cost of reversing the loss. Response strategies may include outsourcing, development of new products, new markets, new process, new services, and

new strategies for attacking the market, restructuring, information technology and product innovation strategy (Pearce, Robinson and Mital, 2008). Firms need strategy to sustain and grow profitability, revenues, market share and most importantly-acceptance. Considering that performance is the major objective of an organization, it is generally accepted that the structure and decision making in an organization is influenced by environmental complexity and volatility (Miles and Snow, 1978). It is further argued that the alignment of strategies of organizations with the requirements of their environment outperform organizations that fail to achieve such an alignment (Beal, 2000).

1.1.2 Overview of the Kenyan Banking 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). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

The banking industry in Kenya comprises various types of institutions registered and regulated and/or supervised under different legislations, including commercial banks; development and financial institutions such as the Agricultural Finance Corporation (AFC) and the Kenya Post Office Savings Bank (Postbank); deposit-taking microfinance institutions and several non deposit-taking microfinance institutions. The non-deposit taking institutions are different institutional forms such as companies, trusts and NGOs; saving and credit co-operatives societies (SACCOs); accumulating and rotating savings

and credit associations (ASCAs and ROSCAs) and money lenders, among others (Banking survey, 2010).

According to the (CBK Annual Report, 2010), it was estimated that commercial banks, finance institutions, microfinance institutions, SACCOs and Kenya Post Office Savings Bank had over ten million accounts, there are a total of 45 licensed commercial banks in the country and one mortgage finance company. Out of the 45 institutions, 32 are locally owned and 13 are foreign owned. The locally owned financial institution comprise 3 banks with significant shareholding by government and state corporations, 28 commercial banks and 1 mortgage finance institution. However out of all the banks only 10 of them are listed in the Nairobi stock exchange having met the conditions of listing and applied for the same.

Since early 1990s, banks in Kenya have been operating in an environment characterized by dynamic changes. The changes include privatization and commercialization of public sector, rapid technological changes, increase in competition, economic conditions, introduction of Multi-party politics and clamor for new constitution which was enacted in August 2010. The financial sector has undergone significant reforms since 1990. The 1990s saw emergence of indigenous banks and non-bank financial. However these banks were plagued with various problems including weak capitalization, poorly performing portfolio and weak management structures.

Banks do not operate in a vacuum. They faced with continuous stream of ever changing events in the environment that present opportunities as well as pose threats such as changes in regulation and competition from other banks and financial intuitions. In a

rapid changing environment business environment, managers are faced with the challenge of meeting growing strategic needs. Both threats and opportunities exist in such environment. In assessing the business environment (Thompson and Stickland, 1998) look at the remote environment and operating environment. They view the environment as the set of forces that originate beyond and usually irrespective of any single firm's operating situation i.e. political, economic, social and technological factors. As the environment changes, banks must change their strategies so as to survive.

1.1.3 The Kenya Post Office Savings Bank (Postbank)

The Kenya Post Office Savings Bank (Postbank) was established in 1910 to offer saving services across the East Africa region. After the breakup of the East Africa Community in 1977, Kenya Post Office Saving bank was established on January 1st, 1978 through Cap 493B, laws of Kenya. The mandate was mobilization of savings for national development (Postbank Annual Report, 2010).

Kenya Post Office Savings Bank is 100% owned by the government Kenya. The bank does not give loans as it is purely a savings bank unless its act is amended to allow capitalization and to offer credit facilities. In the year 2008 Postbank moved from manual account administration (Passbook) to a new automated delivery system by introducing a new business model using Automated teller machines (ATMs), Point of Sale (POS) terminals which offer paperless banking solution, debit cards and mobile phones banking services. It has a wide branch network of 97 branches and agent locations country wide. It has also entered into strategic alliances and business partnerships with local and international enterprises in remittances and payment systems leveraging on wide-spread footprints and automation. One of these partnerships is with the World Savings Bank

Institute (WSBI) and Bill and Melinda Gates Foundation to expand access to financial services mainly in the rural areas through agents. Through this project, Postbank will contribute toward the realization of Vision 2030 by providing access to financial services (Postbank Annual Report, 2010).

There are several challenges that Kenya Post Office Savings Bank currently faces which are as a result of changes in the business environment. These changes in the business environment include legal changes, political changes, and economic conditions such as recession, social factors, technological advancements and unprecedented competition brought about by the local incorporated banks that have set a foothold in a market and also entry of several players from the rest of the continent who produce similar products or services and sell their products similar customers. These changes warrant appropriate responses strategies for survival in this turbulent environment.

Kenya Post Office Savings Bank operates in a volatile environment and is affected by forces outside its control which include the political anxiety, competition from new entrants, legal and technological advancement and therefore needs to adopt some response strategies which will enable it to compete effectively in the market. It will require Kenya Post Office Savings Bank to seek for profitable ways to differentiate themselves from competitors in order to remain relevant in the market.

Ansoff (1965) observe that organizations, which fail to adopt their internal operations to external realities, would definitely loose the battle. To these regard, there is need to find out what strategies Kenya Post Office Savings Bank have put in place to adopt these changes. Thompson and Strickland (1985) state that, organization has to monitor its

environment continuously so that it can identify any shift that require it to adjust its strategies in response to such changes.

1.2 Research Problem

All organizations, whether for-profit or non-profit, private or public, large or small operate within environment that exhibit different levels of turbulence, complexity and munificence. For any organizations to survive and succeed in such environment, it must understand the changes and adopt strategies that will enable it align and realign itself favorably (Ansoff, 1998).

Response strategies involve change as organizations and their environment are constantly changing. In their research, Bartlett and Ghoshal (2006 pg. 78) found that in all the companies they studied “the issue was not a poor understanding of environmental forces or inappropriate strategic intent. Without exception, they knew what they had to do; their difficulties lay in how to achieve the necessary changes”.

The environment in which Kenya Post Office Savings Bank is operating is very volatile, intensely competitive and is greatly affected by the changing business environment which include political, economic, social, technological, environment, and legislative (PESTEL) forces that are largely outside the control and influence of Kenya Post Office Savings Bank and that can potentially have both a positive and a negative impact on the bank. Kenya Post Office Savings Bank invests almost all its deposits in the relatively low risk government paper. With changing regulation environment through Central Bank of Kenya, increase competition, reduced earnings from the government paper and declining

economy, Kenya Post Office Savings Bank is faced with the challenge of adjusting their strategies to cope with, and survive in the changing environment.

A number of studies have been done locally on response strategies by organizations towards the changing business environment namely (Kandie, 2001; Kiptugen, 2003; Atheru, 2007; Mohammed, 2008; Sande, 2009 among others). Kandie (2001) focused on response strategies by Telkom Kenya Ltd in a competitive environment; Kiptugen (2003) researched on response strategies by Kenya Commercial Bank to a changing competitive environment; Atheru (2007) laid focus on response strategies by meteorological department to the needs of their customers; Mohamed (2008) focused on response strategies by commercial banks in Kenya to business environmental conditions; Sande (2009) focused on the effectiveness of the response strategies to HIV and AIDS by employers in the banking industry in Kenya. While these studies have revealed that different organizations face different environmental challenges, the organizations adopt equally different strategies to respond to such challenges. Therefore, the findings of one study cannot be generalized to apply across all organizations. Consequently, no known study that has looked at response strategies adopted by Kenya Post Office Savings Bank to changes in the business environment. This study seeks to address the inherent gap by answering the question: what response strategies has Kenya Post Office Savings Bank adopted to the changes in the business environment?

1.3 Objectives of the Study

The objective of the study to determine the response strategies adopted by Kenya Post Office Savings Bank to the changes in the business environment.

1.4 Value of the Study

The findings of this study will be beneficial to various stakeholders of importance to:

First, to the management of Kenya Post Office Savings Bank in that they will be able to know the changes which have taken place in their operating environment and at the same time the strategies which they can implement so that they can compete effectively with other established commercial banks.

Second, the study will also be important to the banking fraternity in the country as they will be able to know the changes which have taken place in the environment and therefore design strategies which can respond effectively to the changes. The policy makers will obtain knowledge of the changes that have taken place in the banking industry thus use the information in designing appropriate policies that will regulate the industry.

Third, the study will help organisations to identify new opportunities by prompt response to the challenges of the dynamically changing environment and flexible movement towards the market demand.

Fourth, for academicians, this study will form the foundation upon which other related and replicated studies can be based on.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature. The chapter is organized as follows: first is the business environment and changes therein, organizational environment interface, response strategies and empirical review to further expose the knowledge gaps.

2.2 The Business Environment

Ensuing is a discussion on the business environment that faces organizations. The discussion centers on the macro-environment, micro-environment, industry environment and global environment. The macro-environment includes all factors that influence an organization but are out of its direct control. These include cultural changes, political environment, economic factors and technology (Hitt et al., 2008). Traditionally, the analysis of the macro-environment was referred to as PEST (Political, Economic, Social and Technological) or STEP (Social, Technological, Economic, and Political) analysis (Ennew and Waite, 2007). According to Ennew and Waite (2007), more recently these acronyms have been extended to include, for example STEEP (Social, Technological, Economic, Environmental, Political), SLEPT (Social, Legal, Economic, Political, Technological), PESTLE (Political, Economic, Social, Technological, Legal, Environmental) or PESTEL (Political, Economic, Social, Technological, Environmental, Legal). These different acronyms serve as an easy way of remembering which factors to cover. What is important is that any analysis of the macro-environment is comprehensive and includes all the factors likely to affect an organization (Ennew and Waite, 2007).

Pearce and Robinson (2005) discuss macro environmental forces economic, political, social and technological. Each of these factors influences corporate strategy. While these descriptions are generally accurate, they may give the false impression that the components and factors are easily identified, mutually exclusive, and equally applicable in all situations (Pearce & Robinson, 2005). In fact, forces in the external environment are so dynamic and interactive that the impact of any single element cannot be wholly disassociated from the impact of other elements. The following discussion is structured around the PEST framework as espoused by Pearce and Robinson (2005) as well as Ennew and Waite (2007).

The micro-environment consists of stakeholder groups that a firm has regular dealings with (Lynch, 2005). The way these relationships develop can affect the costs, quality and overall success of a business. The micro environment analysis examines the general business climate as it relates to the organization within its industry. Among the most important factors considered in micro-environment analysis are: the firm's competitive position, the composition of its customers, its reputation among suppliers and creditors, and its ability to attract capable employees (Pearce and Robinson, 2008). Competitor analysis has two primary activities: obtaining information about important competitors, and using that information to predict competitor behavior. Michael Porter presented a framework for analyzing competitors (Dess et al., 2006).

An industry is a group of firms producing products that are close substitutes. In the course of competition, these firms influence one another. Compared with the general environment, the industry environment often has a more direct effect on the firm's strategic competitiveness and above-average returns. The intensity of industry

competition and an industry's profit potential are functions of five forces of competition: the threats posed by new entrants, the power of suppliers, the power of buyers, product substitutes, and the intensity of rivalry among competitors (Hitt et al., 2008).

According to Porter (1979), customers, suppliers, and competitors (existing and potential competitors in the same and substitute industries) all shape competition in an industry. Similarly, in his integrated environment management framework, Miller (1992) categorizes the dimensions of the industrial environment as input (suppliers), product (customer), and competition (competitors). The Porter's five forces model can be used to perform an industry analysis.

The global business environment can be defined as the environment in different sovereign countries, with factors exogenous to the home environment of the organization, influencing decision making on resource use and capabilities. This includes the social, political, economic, regulatory, tax, cultural, legal, and technological environments (Hitt et al., 2008).

As firms have no control over the external environment, their success depends upon how well they adapt to the external environment. A firm's ability to design and adjust its internal variables to take advantage of opportunities offered by the external environment, and its ability to control threats posed by the same environment, determine its success (Hitt et al., 2008).

2.3 Organizations- Environment Interface

Theories of response strategies demonstrate that strategies create a competitive edge for a firm. While this strategic response might be necessary for optimal strategic use, they are

not sufficient conditions. Elliott, Huffman and Makar (2003), argue that, given these strategies, a firm's ultimate decision to use a strategy also depends on the level of its competitors. In addition, a firm's choice to use a certain strategy depends on the costs of strategy formulation and implementation. Most literature on the environmental management agrees that corporate environmental strategies change over time. However, there is a substantial variation in explaining the change. It has been approached from two theories in general institutional and resource-based perspectives (Bansal, 2005). Institutional theory focuses on the interaction between corporations and societal players at a macro level of analysis. It tries to reveal how they build the consensus around emerging environmental issues and how they develop and diffuse “environmentally sound” associated concepts or practices (Marshall et al., 2005). Studies based on the evolutive or institutional perspective show that the dominant attitude or mode of firms' environmental responses, which is called “corporate environmentalism”, has shifted three to four times since the 1960s in Western economies as well as developing Asian countries (Lee and Rhee, 2005). The institutional and evolutive models assume that the corporate environmental response is becoming more proactive. It is obvious that an institutional change has a crucial impact on corporate environmentalism. However, the institutional and evolutive perspective is lacking in explaining the different behaviors between companies within a similar institutional context.

Companies may show different environmental strategy in a certain period depending on internal corporate factors such as resources, capabilities, management attitude, corporate culture, and past experiences in environmental management (Lee and Rhee, 2005). The resource-based view and cross-sectional analysis can apply to arguments related to this

dimension: the difference in environmental strategy between firms. The latter is the time dimension. There are two kinds of change in environmental strategy according to a level of analysis. One is the change of corporate environmentalism at a macro level, which shapes the different eras or periods. It shifts from one era to another over time. The other is the change of an individual firm's environmental strategy. A firm can change its environmental strategic type as time goes on. Although companies tend to evolve through waves of commonly accepted trends by mimicking each other, they also have discretion to operate within the institutional constraints that surround them. Theoretically, companies can move from an environmental strategic type to any other one (Ghobadian et al., 2008). However, companies are likely to widen the range of environmental decision area and deepen the environmentally friendly practices over time because stakeholders' environmental concern significantly increases, in general.

2.4 Response Strategies

Different scholars and practitioners have very different definitions or even understanding about what strategy is and how it should be defined. According to Pearson & Robinson (2004), "a strategy is a firm's a game plan". Chandler (1962) in his definition of strategy emphasized the determination of basic long term goals and objectives the adoption of courses of action to achieve them, and allocation of resources as being central to the concept of strategy.

Ansoff (1965) recommended growth strategies that firms could use. The growth strategies suggested were market penetration, market development, product development and diversification. In the specific language of Ansoff's Matrix, it has been suggested by

Perry (1987) that for small businesses the most appropriate growth strategies are therefore product development and market development.

It is argued that with respect to corporate strategy, strategists address what the firm might and can do as well as what the firm wants to do (Andrews, 1971). However, he also argues that strategists must address what the firm ought to do. The “ought to do”, in Andrews' parlance, refers to Corporate Social Responsibility (CSR). He suggested that business firms are not responsible to society, but rather that the obligation of social responsibility falls upon the managers of business firms

Porter (1996) defined strategy as “the creation of a unique and valuable position involving a different set of activities that are different from rivals”. Porter (1996) continues to say that strategy is making trade-offs in competing. The essence of strategy is choosing what not to do. Without trade-offs there would be no need for choice and thus no need for strategy. Porter (1996) argues that strategy is about selecting the set of activities in which an organization will excel to create a sustainable difference in the market place. The sustainable difference may be to deliver great value to customers than competitors or provide comparable value at a lower price than competitors. He states ‘differentiation arises from both the choice of activities and how they are performed’.

Johnson and Scholes (2000) define strategy as “the direction and scope of an organization over long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations”. He concludes that strategy can be seen as the matching of the resources and activities of an

organization to the environment in which it operates. This is sometimes known as search for strategic fit.

Mintzberg (1988) proposes five formal definitions of strategy as plan, ploy, pattern, position and perspective. Strategy is a plan, some sort of consciously intended course of action, a guideline (or a set of them) to deal with a situation. Strategy can be a ploy, just a specific 'maneuver' intended to outwit an opponent or competitor. Strategy is a pattern, specifically a pattern in a stream of actions. Strategy is a position, this means specifically identifying where the organization locates itself in what is known in the management literature as 'environment' for a business firm, usually a market. Strategy is a perspective, its content consists not just a chosen position but an ingrained way of perceiving the world. The concept of strategy is therefore built around winning. Strategy helps to achieve success whether in business or otherwise, success in this context refers to the realization of objectives that are desired.

According to Ansoff and McDonell, (1990) response strategies involve changes to organization's strategy behavior to assume success in transforming future environment. Strategy is a bridge between the firm's resources and the opportunities and risks the firm faces in the environment. It incorporates the competitive moves and approaches to deliver the best performance and satisfaction to all stakeholders. The choice of the responses depends on the speed with which a particular treat or opportunity develops in the environment. Well developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining competitive edge. Some of the strategic response may include outsourcing, restructuring, information Technology, Delivery and distribution and Product Innovation Strategy.

2.4.1 Outsourcing Strategy

Outsourcing is the process of contracting an outside company to provide a service previously performed by staff. In many cases, outsourcing involves a transfer of management responsibility for delivery of service and internal staffing patterns to an outside organization. Subcontracting, contracting out, staff augmentation, flexible staffing, employee leasing, professional services, contract programming, consulting, and contract services are all terms which refer to outsourcing (Sarpin and Weideman, 1999). Outsourcing is a business strategy whereby a company hires an independent outside company to do some of its non-core company work. Outsourcing is subcontracting a process, like product design or manufacturing, to a third-party company. It involves the transfer of the management and/or day-to-day execution of an entire business function to an external service provider (Overby, 2007).

Outsourcing is growing at a rapid rate throughout the world because organizations view it as a way to achieve strategic goals, improve customer satisfaction and provide other efficiency and effectiveness improvements (Ellram, 1997). Outsourcing assists management focus all their intellectual resources, expertise and time on the distinctive competencies that give the firm an edge in the market. Focusing on the core activities ensures the collective learning especially on how to co-ordinate diverse production skills and integrates multiple streams of technologies (Prahalad and Hamel, 1990). Outsourcing is seen as a means through which a business condition or problem can be alleviated in a manner that is more efficient or effective than in-house performance of logistics functions. Cognitive motivation involves careful analysis of alternatives or a well-

thought-out corporate policy indicating that outsourcing is the best path for the company (De Boer et al., 2006).

2.4.2 Restructuring Strategy

Organizational restructuring will normally change the levels of management in the company, affect the span of control or shift product boundaries. There is also a change in production procedures and compensation associated with this strategy. Reduction in the work force is the main by-product that accompanies organizational restructuring and is the reason for the least positive impact on organizational performance (Bowman et al., 1999). Restructuring entails removal of structural barriers and creation of learning organizations capable of continued re-generation from the variety of knowledge, experience and skills of individuals within a culture which encourages mutual questioning and challenge around a shared purpose of vision (Hane, 2008)

Downsizing is eliminating the number of employee's particularly middle level management. It results to increased self management, larger span control and more work for those that remain (Coleman and Oise, 2008). Today's executives have more information about restructuring in other organizations and a thorough review of these attempts by top management executives have lead to more positive results in their own restructuring efforts. Managers now can reduce cost, increase productivity, and enhancing shareholder wealth in their own organization using lessons learned in other organization's restructuring attempts (Bowman et al., 1999).

2.4.3 Information Technology Strategy

Information technology has become a strategic asset which can help improve business processes and change the function of markets. Thus, it is necessary for organizations to continue their efforts in developing and implementing the up-to-date technology. Nevertheless, many organizations still hesitate to adopt new technology and some even believe Information technology does not matter as a response strategy because of its commoditization (Carr, 2003). The computer and developments in Telecommunication are most important aspects of Information Technology (IT) that have transformed business environment and processes. Automation of business processes has led to a drastic improvement in productivity and reduction in costs while Telecommunications has improved the speed with which information is transmitted thus facilitating speedy decision making. Information technology has become indispensable ingredient in organizations in several strategic to meet challenges of change they include internet, intranets that support business operation. Information technology is also used to develop new products, services, processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry (O'Brien, 2002).

There can be no doubt that information technology (IT) has emerged as a major force in determining success or failure in the business world. Even if one sets aside for the moment the notion that Information technology could possibly contribute to real competitive advantage, the most cursory reviews still reveal that information systems are a way of life in nearly every facet of business (Ashmore, 1991). Technology has added a new dimension to strategic thinking in an international context. Developing countries are subject to the same global pressures as their developed counterparts, but have the

additional burden of dealing with domestic conditions which place them at a significant, and perhaps, insurmountable disadvantage. This does not absolve managers from formulating technology policies that can best make their firms competitive (Hipkin, 2004).

2.4.4 Distribution Strategy

Changing lifestyles and increased affluence have led to higher service expectations by the customer and this has made Service Delivery the key marketing variable. The traditional delivery channel is the branch network. The mass marketing era saw the establishment of branches on every main thoroughfare, however as this investment took place it was not fully recognized that these new non-business customers did not have the same discretionary time to visit the branches as the business community on which banks had traditionally focused. Prior to the introduction of computers, banks for example needed time to perform manual account administration, at which times the public were seen as an “inconvenience”.

According to Kahveci and Sayilgan (2006) survey findings show that only 70 per cent of personal customers are expected to visit a branch, and 68 per cent of the respondents believe that fewer customers will come into branches in the future. The delivery of products to the personal sector is an important area of strategic thinking, as there is a perception of non-availability of branch service, and this is coupled with the increasing number of non-branch outlets for obtaining cash.

2.4.5 Product Innovation Strategy

In today's economy, firms are challenged to stay competitive and offer a continuous line of innovative products and services. In technologically intensive industries, investments in research and development have been the primary source of product innovation and superior returns. Research and development investments indicate the strategic importance of innovation for a firm (Hill and Snell, 1988) and constitute an important input for the development of intangible capital, differentiation, and product innovation (David et al., 2001).

Most organizations therefore realize they need marketing skills to identify new opportunities and to address the issue of changing buying patterns where most companies operate in markets characterized by rapidly changing customer needs. A number of strategic marketing variables can be manipulated in response to a changing competitive situation. They include adjusting of target market, diversification and development of new product, distribution changes, advertising, promotion and establishment of relationship market (Megicks et al., 2005).

2.5 Empirical Literature

There are a number of empirical studies that have been done in this area in Kenya. For instance; Kandie (2001) did response strategies by Telkom Kenya Ltd in a competitive environment and found out that although Telkom Kenya has responded to its environment, financial constraints and lack of managerial empowerment considerably limited the organization's capacity to respond. There is a research gap on this study which requires further studies as the study was undertaken 11 years ago and the operating

environment is continuously changing. The study was also undertaken in a communication industry as opposed to the banking industry and each industry has its own unique capabilities. An opportunity in one industry can be a threat in another industry.

Kiptugen (2003) researched on response strategies by Kenya Commercial Bank to a changing competitive environment and established that Kenya Commercial Bank responded to its changing competitive environment through restructuring, marketing, embracing information technology and culture change.

Atheru (2007) studied on response strategies by meteorological department to the needs of their customers and found out that Kenya Meteorological Department did not have adequate capacity to respond to the needs of their customers.

In a study by Mohamed (2008) on response strategies by commercial banks in Kenya to business environmental conditions, it was noted that commercial banks use a combination of strategies but most were focused on product development. The study identified I.T as an alternative delivery channel used by banks. The study found that IT had allowed banks to expand their activities to the mass market. It had also enabled consistency approach to product delivery in the industry.

Finally, Sande (2009) did a study on the effectiveness of the response strategies to HIV and AIDS by employers in the banking industry in Kenya. The study focused on a few selected banks. The results showed that employers in the banking industry have put in place measures to manage HIV and AIDS in the workplace. These measures have been put down and standardized in form of company policies. Other than policies, there are trainings and educational programs that the banks conduct to help promote awareness

as well as promote proper conduct as far as working with those affected/infected are concerned, and also managing the effects of the pandemic for those affected/infected. The support of senior management was lacking.

To summarize the above findings different organizations face different environmental challenges, the organizations adopt equally different strategies to respond to such challenges. Therefore, the findings of one study cannot be generalized to apply across all organizations. The empirical review has shown various strategies and how they have been applied in various economies in Kenya. As was shown, there is a gap as concerns response strategies among the savings banks especially in the developing nations such as Kenya. This is therefore an area that needs further analysis.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blue print for the collection, measurement and analysis of data. This chapter section therefore, was to identify the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections should be included; research design, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

The research design was a case study of Kenya Post Office Savings Bank. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). The case study method has a value of enabling the authors to explore the content under study and, as argued by Yin (1984), retain the holistic characteristics of real-life events in fields such as organizational and managerial processes.

The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behavior under study. The study was used to identify the response strategies by Kenya Post Office Savings Bank to changes in the business environment. In this light therefore, a case study design is deemed the best design to fulfill the objectives of the study as the results are expected to provide an insight in understanding how the bank responds to the changes in the business environment.

3.3 Data Collection

The study made use of primary and secondary data. The primary data was done through interview guide adopted personal interview to collect the data, which was recorded by way of writing the responses and was developed in line with the objective of the study. This method helped in extracting some in depth information through directed questions to the respondents in which a questionnaire by itself could not be helpful.

The interviewees were the top managers and functional heads in charge of finance, planning, information technology, operations, human resources, marketing, product development, change, administration and procurement. They were considered to be key informants for this research. In addition the departments in which the respondents work in are the key developers' implementers of the banks strategies. The secondary data supplemented the primary data was collected by use of existing audited financial reports of Kenya Post Office Savings Bank, updated banks policy hand book , existing and previous strategic plans and the monthly and year performance reports.

3.4 Data Analysis

After collection of both primary and secondary data, it was analyzed through content analysis. Content analysis helped in gaining detailed and in-depth information from the qualitative data received. All the information collected on response strategies was analyzed qualitatively on the basis of strategic variables observed.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

Kenya Post Office Savings Bank operates in a dynamic environment. Therefore, the bank must respond appropriately to the changes in their environment by adopting varying response strategies to counter the changes in the environment in order to survive and to achieve their strategic objectives.

This chapter presents the analysis and findings of the study as set out in the research methodology. The method of data collection was done through interview guide adopted personal interview to collect the data, which was recorded by way of writing the responses and was developed in line with the objective of the study. The research objective was to determine the response strategies adapted by Kenya Post Office Savings Bank to the changes in the business environment. The primary data was collected from mostly the Kenya Post Office Savings Bank top management team who included Head of human Resources, Head Retail banking, Head Finance, Head information Technology, Manager marketing, Manager Change, Manager Business development, Manager Administration, Manager Procurement and Manager strategic Planning.

4.2 Response Strategies Adopted by Kenya Post Office Savings Bank

According to the findings, some of the response strategies adopted by Kenya Post Office Savings Bank include: outsourcing, cultural change, branding, restructuring, distribution, technological development, product development and diversification and marketing strategies. Data for these variables is discussed below.

4.2.1 Outsourcing Strategy

Outsourcing for services is being widely used by many organizations not only as a cost reduction strategy, but also as a means of allowing organizations to focus more on their core business areas, with the aim of increasing profitability. The Kenya Post Office Savings Bank action plan for 2011 identifies outsourcing of non-core functions as a strategy of growing the Banks profitability. The Bank outsourced various non-core services either in full or partially. Notable amongst them include tea, cleaning, transport and photo copying services.

In 87 of out of 93 of Kenya Post Office Savings Bank branches, three services are currently being provided in a hybrid format i.e. the Banks messengers / casuals are currently handling both tea and messengerial functions while the cleaning function has been outsourced to externally contracted firms. However, the Banks intention is to have all none core services fully outsourced in each branch.

Table 1

Summary cost comparisons (monthly) of Kenya Post Office Savings Bank and prequalified suppliers for provision of tea, cleaning and messengerial services in the 87 branches

Item (based on total Monthly Cost of 87 Branches)	Total monthly cost (based on employed office assistant)	Total Monthly Cost (Based on Casual)	Lowest Tender Bidder (monthly)	Net benefit on outsourcing (based on employed office assistant)	Net benefit on outsourcing (based on Casual)
Total cost	5,515,381.87	2,550,013	2,062,755	3,452,626.14	487,257.39

Source: Kenya Post Office Savings Bank Outsourcing Committee report

Table 2**Summary cost comparisons (annually) of Kenya Post Office Savings Bank and prequalified suppliers for provision of tea, cleaning and messengerial services in the 87 branches**

Item (based on total annual cost of 87 branches)	Annual cost (based on employed office assistant)	Annual cost (based on casual)	Lowest tender bidder (annual)	Net Benefit on Outsourcing (Based on Employed Office Assistant)	Net Benefit on outsourcing (Based on Casual)
Totals Cost	66,184,582.10	30,600,157	24,753,068	41,431,513.70	5,847,088

Source: Kenya Post Office Savings Bank Outsourcing Committee report

From the findings if the bank is to deploy permanent office assistant (messengers) in all 87 branches to perform the three services of messengerial, tea and cleaning functions based on average expenditure incurred for the same service in the year 2010 the bank would incur a total monthly cost of sh 5,515,381.87 and Sh 66,184,582.10 annually. The bank will incur a total monthly cost a of sh 2,550,013 and Sh 30,600,157 annually if the bank employees casuals to perform the duties of messengerial, tea and cleaning functions but as per the labour laws employers cannot employ a casual on a temporary basis for more than 3 months thus this cannot be a strategy. The bank will incur a total monthly cost of sh 2,062,755 and sh 24,753,068 annually if the bank outsource the three services to an external service provider with the lowest bidder. This is summarised in table1 and 2 above. Based on the findings presented by the study, it is therefore viable to outsource tea, messengerial and cleaning services in all the 87 branches. The Bank will be able to achieve cost savings sh 41,413,513.70 annually compared to using own Office assistants/messengers.

4.2.2 Cultural Change Strategy

The bank has focused to ensure the entire workforce change their culture and attitude through constant training and mentoring of individual staff member, this is after the top management of the bank realizing that the old culture and attitude both at individual employees and corporate levels have seriously and negatively impacted on their performance and sustainability. Kenya Post Office Savings Bank has responded to the growing competition in the industry by, apart from other strategies, implementing culture and attitude change strategies on customer service. The main component of the strategy has been staff training programs, the bank has conducted many courses and workshops and sponsor staff to professional courses with a view to enhancing capacity, motivate and attitude change, achieve improved communication, customer service efficiency, and greater recognition and acceptance of all employees ideas and contributions.

4.2.3 Branding Strategy

The bank is rebranded to re-align its image with the current market trends. The re-branding strategy targets several internal structure adjustments to effectively deal with the external environmental factors in a pro-active manner. One major internal initiative has been the establishment of a department to deal with branding the bank and establishment of customer service department to deal with customer service failures that have caused immense dissatisfaction among the customers of the bank. Plans are also underway to repaint all the branches under one color to create identity.

4.2.4 Restructuring Strategy

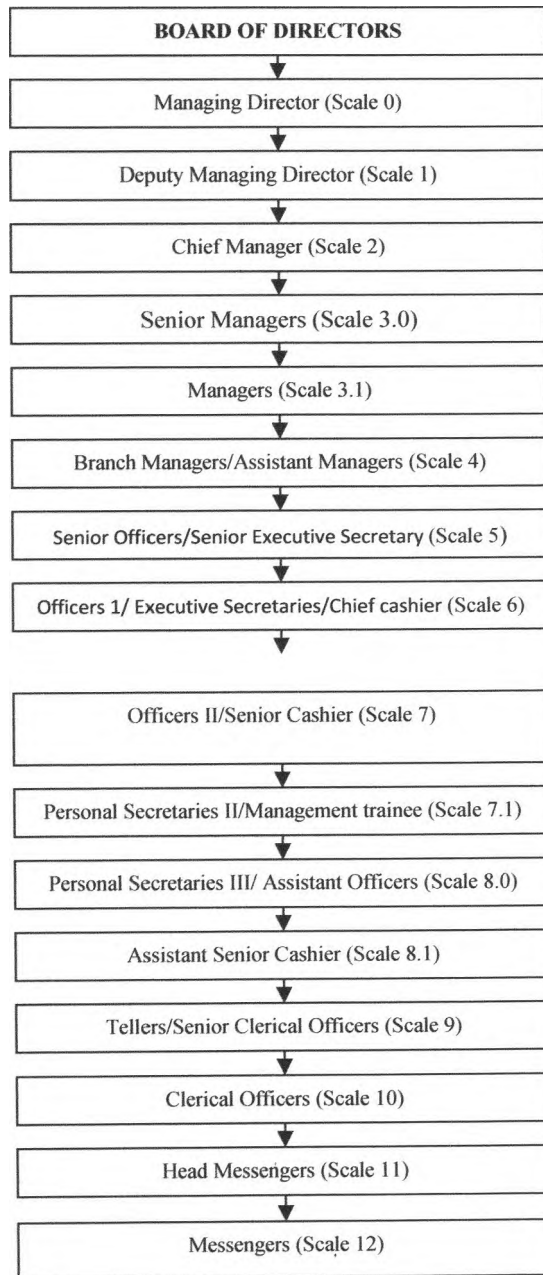
In the year 2009 the bank undertook Job evaluations and restructuring to examine the banks organizational structures and propose ways to streamline the grading structure for motivation and succession planning. The purpose of this is to reposition bank for better service delivery to its customers, reduce the cost per unit of production and to improve on the overall performance of the bank. At the beginning of year 2010 the bank retrenched a total of 300 staff members through voluntary early retirement. This was occasioned by increase efficiency from automation of business through implementation new service delivery system the New Business Model that enables the customer to use a Debit Card to transact both at the Point of Sale Terminals and the ATM machines. In this new delivery system it offers paperless banking as no forms are completed for debit and credit card transaction. The card and the PIN number are all you will need to make your transaction. The new delivery system eliminated manual operations thus this require fewer employees to perform transactions as opposed to manual operations. The objectives of retrenchment were to retain a lean establishment that matched the automation level and to reduce labor cost and hence turn around declining profitability. Kenya Post Office Savings Bank has for long time maintained a rather complex structure comprising of sixteen departments with bureaucratic reporting system.

From the findings the old organizational grading structure was quite complex, running from scale 0 (The Managing Director) to the lowest Scale 12 (lowest cadre, Messenger). Some top and middle level scales were further sub-divided into two making 16 scales in total as shown in figure 1 and 2 below. The complex and tall grading organizational structure obviously led to an efficient bureaucratic system with no clear division of labor

among some departments. It would take an employee of the bank unduly long period of time to progress from one scale to the next as smooth career progression had been stifled by lack of opportunities towards the top of the organizational chart, both within and across the various departments. However the New organizational grading structure is lean and efficient it runs from scale 1 (The Managing Director) to the lowest Scale 10 (lowest Cadre, Office Assistants) making a total of 11 scales as compared to 16 in the previous grading structure as shown in figure 1 and 2 below. The new grading structure was implemented in the year 2010 immediately after the voluntary early retirement exercise in which a total of 300 employees were retrenched. This strategy has proved to be successful considering service delivery has continued uninterrupted and efficiently minus the 300 employees retrenched. Management staff are graded from scale 6.1 upwards to scale 1 in the new structure while the old structure it was graded from scale 8.2 to scale zero, union employees are graded from scale 8 and below while the old structure unionized employees were graded from scale 9 and below. See the Old and New organizational structure below.

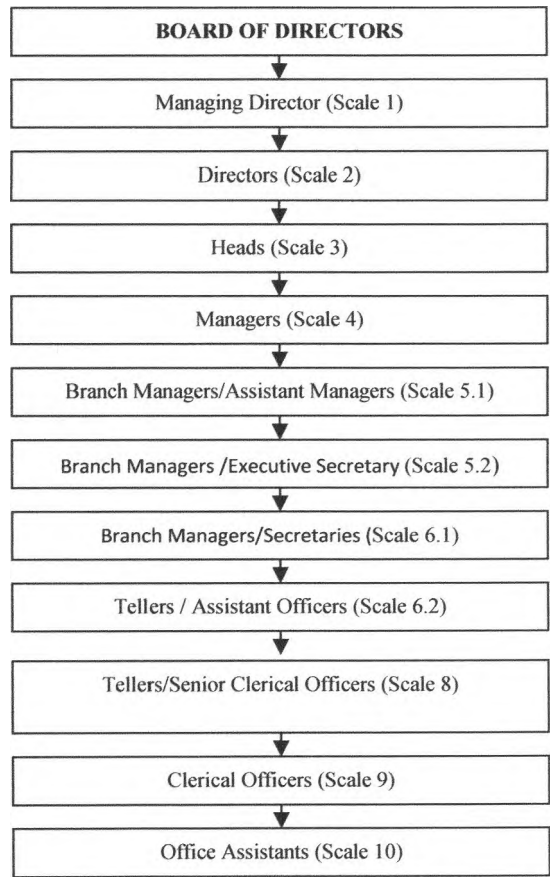
Figure 1:

**OLD ORGANISATIONAL STRUCTURE
KENYA POST OFFICE SAVINGS BANK**



Source: Kenya Post Office Savings Bank HR Department

**Figure 2: NEW ORGANISATIONAL STRUCTURE
KENYA POST OFFICE SAVINGS BANK**



Source: Kenya Post Office Savings Bank HR Department

4.2.5 Distribution Strategy

The growing competition in the business environment calls for the development of new business strategies by every organization. In deed as the organization make new innovations, they must continuously keep abreast of what other organizations are doing. Judged by the increasingly similarity of products and services features, one can easily postulate that organizations are quietly replicating products and services developed by competitors. From an economic, political and social context, it may be difficult to open branches in some areas; the cost of developing infrastructure can be quite high due to

inflation, the market-specific policies may not be conducive for long-term business and social environment, especially when characterized by high illiteracy levels, may prohibit savings methodologies. The legal and regulatory framework may not be sufficiently conducive. From the market perspective, there is a growing need to understand client preference and design products and delivery systems to meet the needs. Such needs include faster service and reduced transaction costs.

Kenya Post Office Savings Bank has the largest branch networked bank in Kenya, with 93 branches and over 1000 outlets agent locations using ATM and Point of Sale Terminals (POS). The bank has also entered into strategic alliances and business partnerships with local and international enterprises to reach the unbanked population. One of these partnerships is with the World Savings Bank Institute (WSBI) and Bill and Melinda Gates Foundation to expand access to financial services mainly in the rural areas through agents. Over a long time, the bank has implemented a branch expansion strategy targeting even the remotes part of the country. These outlets have been operated in a cost effective manner i.e. directly by the bank where it's profitable to do so, or in partnership with the Postal Corporation of Kenya and other agents on agreed fees. This has ensured close proximity to clients and reduced transaction costs. The service delivery network has enabled the bank to increase its deposit base from 6 billion in the year 2001 to 11 billion as at December 2010.

4.2.6 New Technological Development Strategy

With the changes in the business environment necessitated Kenya Post Office Savings Bank to automate its manual operations so as to meet customer needs and also remain competitive in the market environment. There has also been need for the bank to reduce operational cost and information technology provided solution for this. The bank has to re-evaluate its ICT system every now and then to cope with ever changing information technology trend. This implies technological change have had an impact on the operating environment and therefore had to respond to changes in order to remain competitive in a dynamic environment.

In 2008, Kenya Post Office Savings Bank introduced a new paperless low-cost electronic customer service delivery platform built around a single automated debit card channel utilizing In-branch Point of Sale Terminals (POS) and Automated Teller Machines (ATMs). The Teller POS allows Bank customers to obtain magnetic stripe debit cards which are issued instantly after a bank account is opened and the cardholders are able to use the Teller POS to make over the counter withdrawals and deposits amongst other service. To support this delivery channel, the bank has also invested in a new state-of-the-art Electronic Funds Transfer (EFT) Switch that has the capability of interfacing and interoperability with other organizations. The bank has now escalated heights in technological advancements by leveraging off the Kenswitch infrastructure, to provide agency services to cardholders of Kenswitch member banks who will be able to access the branchless banking service through ATMs. Today all the 93 branches of Kenya Post Office Savings Bank are connected online real time. The introduction of Point of Sale Terminals (POS) terminal has eliminated the filling of forms by the customers making

the bank as the first bank in Kenya to adopt paperless banking. This has led to reduction in the cost of labor, stationary and reductions of errors due to computerization. The computerization eliminated an entire department which was head by a manager and several staff, who were dealing specifically with overdrawn and suspense transactions. The bank has also connected all employees of the bank through an internal mail, this makes communication faster.

Implementation of the new technology has led to a lean flatter organizational structure. The Computer society of Kenya awarded Kenya Post Office Savings Bank the prestigious award of being “The best bank in the application of paperless business Environment 2010”.

4.2.7 Product Development and Diversification Strategy

The bank has laid a lot of emphasis on product development and modification to respond to the ever changing needs of customers. The banks product development committee is now constantly tracking market opportunities for new and existing products. Currently the bank has portfolio of fourteen product range and several commission based services on behalf of a number of corporate organization. For instance the bank offers pension payment on behalf of the government of Kenya, loan disbursement on behalf of higher Education loans Board, Electricity bill payment on behalf of Kenya Power, Visa Fees Payment on behalf of American Embassy and water bill payments on behalf of several water companies among other commissioned based services. Over time since 1910, the bank has developed and introduced new products into the market. The bank products are highlighted in figure 3 below.

Figure 3: Kenya Post Office Savings Bank Products

NO	PRODUCT	YEAR
1	Ordinary Savings account	1910
2	Save As Your Earn	1981
3	Fixed Deposit Account	1981
4	Premium Savings Account	1991
5	Visa Credit Card	1995
6	Money Transfer services (Western Union)	1995
7	Bidii Savings account	2000
8	Bidii Junior Account	2007
9	Bidii Salary Account	2009
10	STEP Account	2008
11	Premium Plus Account	2008
12	Money Transfer services (Money Gram)	2009
13	Pamoja Account	2010
13	Postbank Xpress Money transfer	2010
14	PataCash Mobile Banking	2010

Source: Kenya Post Office Savings Bank Action Plan 2010

4.2.8 Aggressive Marketing and Promotion Strategy

The study sought to find out whether the current marketing and promotional campaign strategy responds to the needs of the bank. From the findings Kenya Post Office Savings Bank has used marketing and promotion as a strategy to attract new customers as well as retain existing ones, to improve corporate image and to increase business volumes. The marketing strategies have included increased marketing budget, increase media

communications through both print and electronic media to increase awareness of the bank products and services. Personal selling has been enhanced through recruitment of sales team, sales ambassadors, use of banners, fliers and brochures, give away such as T-shirts, caps and promotional prizes. The bank also launched her first techno-savvy promotion dubbed 'Jiseti na Postbank' to reward her loyal customers in May this year. The final draw the Grand Prize was a brand new Nissan Pick-Up NP200. Other two prizes of Kshs.500, 000 and Kshs.300, 000 was paid to the 1st & 2nd runners up respectively. This strategy promotion brought in substantial amount in terms of cash deposits and new accounts opened.

4.3 Discussion

The study found out that Kenya Post Office Savings Bank has responded to changes in the business environment through implementation of response strategies that include outsourcing, cultural change, branding, restructuring, distribution, new technological development, product development and diversification, marketing and promotional strategies

My expectation is that this study will be beneficial to the management of Kenya Post Office Savings Bank in that they will be able to know the changes which have taken place in their operating environment and at the same time the strategies which they can implement so that they can compete effectively with other established commercial banks. The policy makers will also obtain knowledge of the changes that have taken place in the banking industry thus use the information in designing appropriate policies that will regulate the industry. I also expect that this study will form the foundation upon which other related and replicated studies can be based on.

Organizations face different environmental challenges, the organizations adopt equally different strategies to respond to such challenges. Therefore, the findings of this study cannot be generalized to apply across all organizations. The empirical literature review has shown various strategies and how they have been applied. The findings of this study concur with what is presented in the literature. However there is a gap as concerns response strategies among the savings banks especially in the developing nations such as Kenya. This is therefore an area that needs further analysis.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMENTATIONS

5.1 Introduction

This chapter presents the summary conclusion and recommendations. These chapter sections therefore, will summaries the findings and makes recommendations for policy and practice.

5.2 Summary

The business environment within which businesses operate is very volatile. Therefore, organizations must develop appropriately response mechanisms to deal with the rapid change in their environment in order to survive and to achieve their strategic objectives. The study found out that Kenya Post Office Savings Bank, like any other organization has responded to changes in the business environment through implementation of response strategies that include outsourcing, cultural change, branding, restructuring, distribution, new technological development, product development and diversification, marketing and promotional strategies.

The study found out that Kenya Post Office Savings Bank has continuously carried out an internal and external analysis, to define strategic plans that enable it to deal effectively with threats and maximize on its strengths and opportunities. The Bank has also developed its strategic plans over the years and continuously reviewed strategic plan and change the themes, vision and mission to conform to the challenges emanating from the environment. Cultural transformation has taken place, where barriers between the top management have been brought down through various recommendations by consultant

hired by the bank to offer various training session to staff of the bank including the top management.

Trends in the business environment, more than ever before, now call for strategic alliance for cost-effectiveness in the service delivery and economies of scale for mutual benefit of organizations involved. These alliances facilitate information and knowledge sharing, and technical cooperation in projects including payment systems, computerization, and training.

The organizational structure has been reorganized and the scalar chain of command reduced to dramatically improve services. Most of the front office (tellers) staff has been empowered to make direct payment to their customers unlike before where all transactions were approved in the back offices. These has improved customer service and satisfactions and thus attracted more customers to open accounts in the bank. The 16 layers scale structure has been reduced to 11 and a common cadre approach to staff development introduced. Kenya Post Office Savings Bank is now recruiting from the open market.

5.3 Conclusion

To conclude the above findings different organizations face different environmental challenges, the organizations adopt equally different strategies to respond to such challenges. Therefore, the findings of this study cannot be generalized to apply across all organizations. The study has shown various strategies and how they have been applied in Kenya Post Office Savings Bank Kenya. It can be concluded that the finding of this study concurs with what is presented in the literature.

The study also found out that the response strategies adopted by the bank were not necessarily adequate hence needs to increase its product range to include credit facilities. The bank should also aggressively market its products to create awareness in the market and needs to be active in the product and service innovation to retain and attract more customers. The bank needs to do all it takes to have Kenya Post Office Savings Bank Act repealed to allow the bank to lend to remain relevant in the ever changing business environment.

5.4 Recommendations for Policy and Practice

From the results of the study it is recommended that the management of Kenya Post Office Savings Bank needs to be more proactive in its response strategies instead of using reactive strategies. This means that the management should be very alert on the changes in the business environment and they should be keen to respond in good time in order to outsmart competition. The Bank has to do all it takes to have Act repealed to allow the bank to lend to remain relevant and competitive in a dynamic environment. The bank should also aggressively market its products to create awareness in the market and needs to be active in the product and service innovation to attract and retain more customers. This can be done through aggressive media campaign through both print and electronic media. The bank should continue to scan the environment they operate for opportunities and to develop products that respond to changing customer needs. The banks needs also to increase its product range to include credit facilities by the board members lobbying to have the Kenya Post Office Savings Bank act to be reveal to allow the bank to lend.

It is also recommended that in future, Kenya Post Office Savings Bank should look for technological solutions that meet its needs to avoid going for technological solutions that must be customized to fit local conditions. Local support of technological solutions adopted is important for quick success. This is premised on the fact that by the time you are through with customization, the version is obsolete and more funds are required to upgrade to new modern versions. The Bank will have to consider the option of declaring the office assistants (messengers) positions redundant and have the services outsourced. The office assistants (messengers) should then be re-trained, re-oriented and redeployed to suitable positions.

It is also recommended that the Bank must continually re-align its organization structure to respond to growing needs to providing quick services. As far as is possible, the scalar chain must be reduced to stem bureaucratic management of the organization. It is also recommended that strategic alliances must be encouraged and Kenya Post Office Savings Bank must repair relationship with PCK to reach wider area. The bank must continually look out for new relations and offer more commissioned based services to improve on its profitability. The study indicates clearly that the bank must respond to changes in the environment to remain relevant.

On policy and practice this study therefore will be important to the banking fraternity in the country as they will be able to know the changes which have taken place in the environment and therefore design strategies which can respond effectively to the changes. The policy makers will also obtain knowledge of the changes that have taken place in the banking industry thus use the information in designing appropriate policies that will regulate the industry.

5.5 Limitation of the Study

The study focused mainly on Kenya Post Office Savings Bank and therefore no relationship to response strategies undertaken by all banks in the country to changes in the environment. Response strategies are different and custom tailored to meet with the customer's preference. This being a case study, therefore the research findings cannot be used to make generalization for the banking industry as a whole. The study also focused on the key response strategies and did not include other response strategies adopted by the bank namely business process re-engineering among others.

Other key respondents were unavailable for the interview due to their busy schedules and also having very little time with the respondents available for the interview to inquire very deeply into the number of issues because most respondents had allocated a few minutes of time due to their very tight time budget.

5.6 Suggestion for Further Research

During the study, the research found out that Kenya Post Office Savings Bank has had 5 managing Directors. It will be interesting to carry out a study to show how different management styles of the CEOs and their impact on the bank Management. This study was a case study of only Kenya Post Office Savings Bank. There is need to do a cross sectional survey to cover the entire banking industry in Kenya. This will give an indication of responses made by the banks in Kenya to the changes in the business environment and hence allow industry generalization to be made. This would also show the general responses adopted by the banks in the industry or it would help in knowing whether responses adopted by one bank are a bank specific response.

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APPENDICES

APPENDIX 1

INTERVIEW GUIDE

Goals of the interview process

To determine the response strategies by Kenya Post Office Savings Bank to changes in the business environment.

RESPONDENTS PROFILE.

1. Please indicate your Name (Optional)
2. Indicate your position and department?
3. How long have you worked in Kenya Post Office Savings Bank?.....

Interview Questions

The following sections provide sample questions used in evaluating the response strategies per department.

i. Planning Department

1. Is your department is in charge of assessing response strategies for the bank?
2. What role does your department play in strategic Planning?
3. What are the major changes in the business environment that are affecting Kenya Post Office Savings Bank?

4. How has the bank responded to the changes in the business environment? Please explain in detail?
5. Please give any other comment you may have regarding the subject of this research.

ii. Manager Administration Supplies & Procurement

1. What are the major changes in the business environment that are affecting Kenya Post Office Savings Bank?
2. How has the bank responded to the changes in the business environment? Please explain in detail?
3. What are some of the services which the bank outsources? Has the bank achieves its strategic goals after outsourcing the services?
4. Did the outsourcing of services improved customer satisfaction?
5. Did the outsourcing of the services resulted to significant savings on operational and capital cost?
6. Please give any other comment you may have regarding the subject of this research.

iii. Head Human Resources

1. What are the major changes in the business environment that are affecting you're the functions of your department?
2. How has the bank responded to the changes in the business environment? Please explain in detail?
3. Has restructuring been carried out by the bank?
4. How was restructuring carried out by the bank?
5. Were the employees consulted before the restructuring carried out?

6. Did the restructuring changed management level in the bank?
7. Did the span of control changed or shift product boundaries after restructuring?
8. How is the bank performance after restructuring? Please explain in detail?
9. Has the bank achieved its strategic goals after restructuring?
10. What challenges did the bank face after restructuring?
11. Please give any other comment you may have regarding the subject of this research.

iv. Head Retail Banking (Operations).

1. Is your department the main pillar of the bank? Why please explain?
2. What proportion is the workforce in your department as compared to the overall workforce in the bank?
3. Has restructuring been carried out by the bank?
4. How was restructuring carried out by the bank?
5. Were the employees consulted before the restructuring carried out?
6. Did the restructuring changed management level in the bank?
7. Did the span of control changed or shift product boundaries after restructuring?
8. How is the bank performance after restructuring? Please explain in detail?
9. Has the bank achieved its strategic goals after restructuring?

10. What challenges did the bank face after restructuring?
11. Please give any other comment you may have regarding the subject of this research.

v. Head Information technology

1. The response strategies integration processes are mainly technology based. How well is the bank set in this sense?
2. How do you compare the bank with other banks in terms of technological advancement?
3. Has technology lifted the image of the bank? If so how?
4. Has the bank adopted new technology to improve business processes and change the function of markets?
5. How has the bank performed after adopting the new technology?
6. Has the bank achieves its strategic goals after adopting the new technology? Please explain in detail?
7. What challenges did the bank face while adopting the new technology?
8. Please give any other comment you may have regarding the subject of this research.

Vi. Manager Marketing & Public Relation

1. As a department, do you have marketing strategies?
2. Are the strategies (if any) spelt out in action plans?
3. Please indicate and explain the major marketing strategies adopted by your department to enable the bank achieve its strategic goals and objectives.
4. Has the bank achieves its strategic goals after adopting this strategies? Please explain.
5. Does the bank do advertising and promotion?
6. How has the bank performed after advertising and participating in promotions?
7. Any challenge (if any) in adopting this strategy?
8. Please give any other comment you may have regarding the subject of this research.

vii. Manager Change & Business Development

1. Please list changes (if any) that have taken place in product development and innovation in the bank?
2. What were the objectives of changes in product development and innovation?
3. How has the bank performed after adopting this strategy?
4. Please give any other comment you may have regarding the subject of this research.

viii. Head Finance and Accounts

1. Do you have documented financial strategies?
2. Are the strategies (if any) general or specific to each division?
3. Does the bank maintain financial management systems to ensure proper utilization of funds, accountability, financial monitoring, and efficient reporting, all geared towards strategies adopted by the bank? Comment briefly on how each of these aspects is ensured.
4. Do you have documented financial strategies?
5. Are the strategies (if any) general or specific to each division?
6. How has the bank performed after adopting this strategy?
7. Please give any other comment you may have regarding the subject of this research.

Thank you for your participation

APPENDIX 11

PERMISSION TO CARRY OUT RESEARCH

11th AUGUST 2011

HEAD HUMAN RESOURCES

KENYA POST OFFICE SAVING BANK

P O BOX 30313 00100

NAIROBI.

Dear Sir,

RE: PERMISSION TO CARRY OUT RESEARCH

I am a postgraduate student at the University of Nairobi in the school of business. In order to fulfil the requirement of attaining Master of Business Administration Degree, I am supposed to carry out a research and produce a project. On this respect I have identified Postbank as my case study. My topic of research is **“Response strategies by Kenya Post Office Savings Bank to changes in the business environment ”**.

Consequently, because this is a case study, I am intending to collect data through personal interviews and then recording the responses by way of writing. I am kindly requesting your good office to grant me permission to conduct my study in the bank. The respondents of the study will be drawn from all levels of management.

The information generated by the research will be treated with strict confidence and is strictly for academic purpose only. Upon request, a copy of the final report will be made available.

The information to be collected will be through an interview guide attached.

Thank you.

Yours Faithfully

ELIUD K. BETT

PF: 0941

KENYA POST OFFICE SAVINGS BANK

INTERNAL MEMO

KPSB/HR/53/0941/2011

26th August, 2011

Eliud Bett
PF 0941

Thro'

Manager/Nairobi North Region
K.P.O.S.BANK

Forwarded
[Signature]
27/8/2011

RE: PERMISSION TO CARRY OUT RESEARCH

Your letter dated 11th August 2011 on the above subject refers.

This is to inform you that authority has been granted for you to carry out a research study in the organization as requested. Kindly note that you will be required to submit a copy of the final report to the undersigned.

[Signature]
E.A. MBAYA
FOR: HEAD/HUMAN RESOURCE

APPENDIX IV

LETTER OF INTRODUCTION

ELIUD K BETT

C/O MBA OFFICE SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI,

P. O. BOX 30197 00100

NAIROBI.

AUGUST 2011.

Dear Respondent,

I am a postgraduate student at school of business, University of Nairobi. In order to fulfill the requirement of attaining Master of Business Administration Degree, I am undertaking a management research project on "Response strategies by Kenya Post Office Savings Bank to changes in the business environment".

I kindly request you to participate as one of the respondents for an interview to assist me in data collection. The information is for academic purpose only and will be treated with confidentiality. Upon request, a copy of the final report will be made available to you.

Thank you for your corporation

Yours Faithfully

.....

Eliud K Bett

Student, MBA

D61/75252/2009

.....

Dr. Vincent Machuki

Supervisor, University of Nairobi

School of Business