THE IMPLICATIONS OF STRATEGIC CHANGE OF FIRM OWNERSHIP ON STRATEGIC POSITIONING OF COMMERCIAL BANKS IN KENYA

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DECLARATION

This Research Project is my original work and has not been submitted for examination or award of degree in any other University or Institution of learning.

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All praise is to God the most gracious and the most merciful. It is through God's grace that I am able to complete this Research Project.

Undertaking any higher education programme requires a lot of sacrifice and MBA programme is not an exception. The programme requires adequate financing, time and patience. In addition you need teamwork and support from colleagues, friends and family members. Support and assistance from the University lecturers and staff is required for completion of the program.

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DEDICATION

First I dedicate this Research Project to my late father, Abdillahi Mbaruk Khamis for aspiring me to acquire knowledge.

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 ABSTRACT

This study examined the implications of Strategic change of ownership on the strategic positioning of commercial banks in Kenya following the cross sectional study approach where six banks were sampled for the study. The study further examined the extent of change of ownership on the strategic positioning of the banks. The population of the study was banks in Kenya that have undergone strategic ownership change in the last five years (2008 to 2013). As provided by Central Bank Of Kenya website 6 commercial banks qualified for the study. The study was conducted through a cross sectional survey and there was no sampling since the population was small. The six commercial banks were Prime Bank Kenya Limited, CFC Stanbic Bank (K) Limited, Kenya Commercial Bank Limited, Jamii Bora Bank Limited, Equatorial Commercial Bank Limited and Ecobank Kenya Limited. Primary Data was collected from target respondents using a self-administered open ended interview guide. The guide is divided into three sections that had questions on bio data, strategic ownership changes in commercial banks and strategic positioning. The findings from the study revealed that indeed banks that had gone through change of ownership had made several internal adjustments that influenced the strategic positioning of the respective banks. The study further revealed that strategies preferred by banks for change of ownership are mergers or total acquisition. It further revealed the reasons that necessitated this ownership restructuring varied. Some respondents gave the need for improving capital base for ease of trade, while others preferred this avenue as a means to achieving their expansion strategy. The indicators applied to establish implications of change of ownership on the positioning of the firm are change in products and services, change in risk control measures and internal regulations, new approaches to customer recruitments and retention, changes in employee incentive schemes and changes in customer complaints handling mechanisms. The findings led to the conclusion that Strategic change of ownership has impacted positively on the strategic positioning of commercial banks affected by such changes.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Many organizations are occasionally faced with challenges that force them to adjust or change from their normal way of doing things or they operate (Burnes, 2004). Organizations today face a major challenge in managing this change effectively. The cost of failure is high when organizations fail to change in ways necessary for survival, particularly considering their form of ownership. The most serious challenge in change programmes today is how to deal with people's resistance to change. Most advocates of change assume that support will be imminent because the objectives for change are worthwhile, but sometimes this does not happen (Brown and Harvey, 2006).

Change is inevitable and ubiquitous in a rapidly expanding world. These landscapes of many external forces make it most difficult for organisational survival and prosperity. Indeed, the major dilemma faced by businesses today is managing strategic change initiatives efficiently and effectively (Szamosi and Duxbury, 2007). According to Ulrich (2007), a primary difference between organisations that succeed and those that fail is the ability to respond to the pace of change. In other words, organisations need to monitor and scan their external environments, anticipate, and adapt timely to continual change.

Strategic decisions are based on building on or stretching an organization's resources and competencies to create new opportunities or capabilities based on these resources. Strategy therefore, may in some cases require major resources which are beyond firm's existing capability. In such a situation, a merger or an acquisition may be the only available option. It may, therefore, for instance, be an appropriate phenomenon

for an organization to merge with or acquire a supplier of its raw material so as to guarantee availability and quality of such raw material or with a competitor so as to expand its market share or with another firm in order to comply with changes in legislation. Many managers will today regard buying a company for access to markets, products, technology, resources or management talent as less risky and speedier than gaining the same objectives through internal efforts or organic growth (Jemison and Sitkin, 1986).

1.1.1 Strategic Firm Ownership Change

Modern firms have a variety of ownership patterns, and exploring ownership type recognizes that large-block shareholders are not homogenous. Some very large firms are dominated by large-block shareholders who have a seat on the board of directors, some by shareholders who sustain their ownership blocks over time, and some by families owning large blocks of shares (Kang, 1998). Additional ownership types include top executives, employee stock ownership plans, buyers, suppliers, different types of institutional investors, lever-aged buyouts, and venture capital (Kang and Sorensen, 1999).

The changing environments and the new forms of competition have created new opportunities and threats for business firms. The change imperatives are strong, and firms must adjust to new forces of competition from all directions.

This has forced many of them to adopt many forms of restructuring activity. Twenty years back, few companies made mergers a key element of their growth strategy. Mergers were an afterthought or episodic. Today, many companies look to achieve over 50 percent of their growth from mergers and acquisitions (Copeland et al., 2005).

1.1.2 Organizational Strategic Positioning

Different authors agree that reason of successful performance in a market for many companies is a possession of a Sustainable Competitive Advantage (SCA). In the strategic management literature the concept of SCA is related to another concept – that of Strategic Positioning (SP). Porter (2001) names SP as a source of competitive advantage. On the other hand, Keller (2008) suggests that SP can be based on points of difference or point of parity, where the concept of the points of difference is very similar to the unique selling proposition (USP) and SCA, with SCA being an even broader concept.

The strategic position is concerned with the impact on strategy of the external environment, internal resources and competences, and the expectations and influence of stakeholders. Together, a consideration of the environment, strategic capability, the expectations the purposes within the cultural and political framework of the organization provides a basis for understanding the strategic position of an organization (Johnson and Scholes, 2005).

Howard (2003) defines an organization's strategic position as its perceptual location relative to others. Strategic positioning provides a vehicle for creating organizational focus and a framework for considering resource-allocation questions. When an organization can clearly articulate its perceptual location relative to those of other organizations, the complexities surrounding these decisions are significantly reduced.

Strategic positioning is outward-focused, more fully recognizing the competitive and market environment within which an organization operates. Positioning defines an organization's specific niche within its sphere of influence. With a strong strategic position, the organization is poised for ongoing success, sustainability, and distinct

competitive advantage (Turner, 2008). Some of the parameters around which strategic position is defined as advanced by Howard (2003) include service, quality, access, scope, innovation and demographics.

Strategic position can be defined in the perspectives for adopting strategy advanced by Porter (1986) as an attempt to achieve leadership in the market due to low costs or product differentiation. Treacy and Wiersema (1995), on their turn, consider that there are value disciplines. In their studies, they consider Porter's perspectives but add a third perspective, focusing on solutions to the customers.

Hax (1996) advance three strategy dogmas which define the way an organization should behave in order to succeed in the market regardless of its strategic choices. The first dogma is creation of economic value, to achieve superior and sustainable performance, measured in terms of profitability in the long run. The second dogma involves the creation of a customer proposition involving unique value, which basically means attracting, satisfying and retaining customers.

The third dogma is the creation of success spirit, by involving talents and networking, i.e., attracting, satisfying and retaining the best workers (talents), in order to obtain and keep a competitive edge. These three dogmas define the purpose of strategy and the means to achieve it.

1.1.3 The Banking Industry in Kenya

The industry consists of forty-three commercial banks, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya as at December 2011 (www.centralbank.go.ke). Thirty of the banks, most of which are small to medium sized, are locally owned and thirteen are foreign owned (www.pwc.com).

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), govern the Banking industry in Kenya. The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the cabinet secretary for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members (Kenya Bankers Association annual Report, 2008).

Driven by competition brought about by globalization, information technology and managerial innovation, the banks have attempted to fit their operations and systems to a customer focused strategy. The banking sector has embraced changes occurring in Information Technology with most banks having already achieved branchless banking as a result of the adoption of communications options. According to The Central Bank Annual Supervision report (2003), the increased utilization of modern information and communications technology has for example led to several banks acquiring ATMs as part of their branchless development strategy measures. When the changes are on a larger scale and involve many individuals and subunits such as the ones encountered by banks, it is a challenge to manage change simultaneously across functional and managerial levels.

1.1.4 Commercial Banks in Kenya

Commercial banks play a vital role in the economic resource allocation of countries. They channel funds from depositors to investors' continuously. If the banking system in a country is effective, efficient and disciplined it brings about a rapid growth in the various sectors of the economy. They can do so, if they generate necessary income to cover their operational cost they incur in due course. In other words for sustainable intermediation function, banks need to be profitable. Beyond the intermediation function, the financial performance of banks has critical implications for economic growth of countries. Good financial performance rewards the shareholders for their investment.

This, in turn, encourages additional investment and brings about economic growth. On the other hand, poor banking performance can lead to banking failure and crisis which have negative repercussions on the economic growth.

The history of banking in Kenya dates back to the colonial period. Colonial rule brought in its wake new forms of banking. British commercial banks started operations in Kenya during the 1890s. After independence, the number of commercial banks operating in Kenya increased as both local and foreign owned banks entered the scene. In 1968, the government established the Co-operative Bank of Kenya to provide specialized banking services for the members of the growing co-operative movement. In the same year the National bank of Kenya wholly owned by Kenya was established. The number of commercial banks by 1980 consisted of 24 fully fledged commercial banks with more than 400 branches, branches, agencies and commercial banking units (William and Robert, 1992). To date the list of commercial banks has grown to forty three.

1.2 Research Problem

Burnes (2004) describe two types of organizations, mechanistic and organic, that are designed to react differently to the degree of change occurring in the environment. The Mechanistic organizations perform well under conditions of environmental stability, while organic organizations can successfully adapt their structures to accommodate changes in the face of dynamic and uncertain environments.

It is argued that organizations can and do respond to important changes in their environment by initiating strategic changes. Shifts in regulatory or technological environments motivate important strategic changes in organizations. In addition to environmental changes, decline in performance may also motivate changes in strategy particularly if changes in the external environment accompany changes in performance.

The evolution of the banking industry in Kenya has presented both challenges and opportunities for commercial banking institutions. The Kenyan banking sector has experienced a global change in the micro and macro economic factors that affect the way business is done today. The changes have been characterized by globalization, inflation, more knowledgeable customers, technology advancements, declining interest margins and new laws and regulations that govern the way banks conduct business. These changes have affected the banking sector. In order to remain competitive, the banks have had to totally change their ways of operation as well as their forms of ownership through various ways that include mergers and acquisitions.

Research studies on organizational ownership structure by Qi et al. (1999), Thomsen and Pedersen (2000), Mueller and Spitz (2001), George et al. (2002), Pivovarsky

(2003) and Ongore (2010) point to the significance of ownership structure on organizational performance. Mangunyi (2011) posit that there is no significant difference between type of ownership and financial performance. Several studies have been carried out on the effect of ownership change on firm positioning without consensus. McGukin and Nguyen (1995) find that transferred plants after acquisition experience improvement in productivity performance. McGukin, et al. (1995) finds that ownership change is positively associated with productivity and wage growth. Bruining, et al. (2004) finds changes to employee relations in organizational buy-outs. These results lead to the research question: what is the effect of change of firm ownership on the strategic positioning of commercial banks in Kenya?

1.3 Objective of the study

The objective of the study was to establish the implications of change of firm ownership on the strategic positioning of commercial banks in Kenya.

1.4 Value of the study

The findings of the study was expected to make contribution to strategic management theory through aiding and understanding of the contributions of ownership changes to overall organizational strategic positioning of an organization. It is intended to help other organizations in appreciating strategic management and its contribution to the stakeholders. Explanations of change of ownership with a focus on Commercial Banks in Kenya and how it has impacted on overall strategic organizational positioning will guide management practitioners and commercial bank managers on how to realign ownership strategies and structures for organizational competitiveness.

These findings would be invaluable to the specific Commercial Bank's management as its findings would appraise their strategic change activities and link the same to the overall corporate strategic focus and sustainability.

The study will offer an opportunity for review of changes taking place as it will try to unearth how it has lead to effective positioning particularly focusing on commercial bank ownership.

The findings would benefit both academicians and future researchers in Kenya and beyond. Academicians and researchers are always searching for new information and references. They can benefit from this study as it will add to the wealth of already existing knowledge on strategic change and link the same with firm ownership and overall strategic firm position. The study will, thus, broaden the knowledge on strategic change and provide a basis for future research on firm ownership.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the past studies on strategic implications of change of ownership on organizational positioning. It starts with the concepts of strategic change, strategic ownership change and reviews empirical studies relating ownership structure and organizational positioning.

2.2 Theoretical Foundation of the Study

The study is founded on the theories of Agency theory and Stewardship theory.

2.2.1 Agency Theory

The modern firm is usually seen as a large organization with four main groups of actors: shareholders, boards of directors, top executives and other managers, and workers. Shareholders are thought of as "owners"; they provide financial capital and in return receive a contractual promise of economic returns from the operations of the firm. Directors act as fiduciaries of the corporation who may approve certain strategy and investment decisions but whose main responsibility is to hire and fire top managers. Managers operate the firms; they make most business decisions and employ and supervise workers. Workers carry out the activities that create the firm's output (Kang and Sorensen, 1999).

A central proposition of agency theory is that top managers, acting as agents of stockholders, will pursue courses of action that may not be consistent with the interest of owners (Fama, 1980; Jensen and Meckling, 1976). Jensen and Meckling (1976) argue that top managers are agents who coordinate various factors on behalf of the

stockholders. From a rational economics perspective, owners wish their agents to pursue goals and corresponding strategies that will be consistent with the owners' best interests. Donaldson and Lorsch (1983) further posit that managers often pursue goals that attempt to satisfy multiple constituents.

Jensen (1989) further explain that given that the owners are a diffuse group, managers may be interested in sales growth and expansion which will lead to greater personal power, authority, and financial gain. Since there can exist an incongruence between the goals of the owners and those of top managers, the overall performance of the company may suffer. Simerly and Li (2000) advance that owners will therefore need to use effective means of control to ensure that agents act in accordance with the best interests of owners. One important control measure is to ensure adequate level of insider ownership. The notion that increased ownership is a key means by which the interests of both principal and agents are aligned has lead researchers to test empirically the ownership and organizational positioning relationship.

2.2.2 Stewardship Theory

Stewardship Theory has been framed as the organizational behaviour counterweight to rational action theories of management (Donaldson and Davis, 1991 & 1993). This theory holds that there is no conflict of interest between managers and owners, and that the goal of governance is precisely, to find the mechanisms and structure that facilitate the most effective coordination between the two parties (Donaldson, 1990). Stewardship Theory holds that there is no inherent problem of executive control, meaning that organizational managers tend to be benign in their actions (Donaldson, 2008). The essential assumption underlying the prescriptions of Stewardship Theory is that the behaviours of the manager are aligned with the interests of the principals.

Stewardship Theory places greater value on goal convergence among the parties involved in corporate governance than on the agent's self-interest (Van Slyke, 2006). The economic benefit for the principal in a principal-steward relationship results from lower transaction costs associated with the lower need for economic incentives and monitoring. Researchers, in general, have tended to ignore the principal as the agent and have overemphasized the role of the manager as the agent.

The 'model of man' in Stewardship Theory is someone whose behaviour is ordered such that pro organizational behaviours have higher utility than individualistic behaviours (Davis et al., 1997). This model of man is rational as well, but perceives greater utility in cooperative behaviours than in self-serving behaviours. A steward's utility function is maximized when the shareholders' wealth is maximized. The steward perceives that the utility gained from interest alignment and collaborative behaviour with the principal is higher than the utility that can be gained through individualistic, self-serving behaviours (Davis et al., 1997). Stewards are motivated by intrinsic rewards, such as reciprocity and mission alignment, rather than solely extrinsic rewards. The steward, as opposed to the agent, places greater value on collective rather than individual goals; the steward understands the success of the company as his own achievement. Therefore, the major difference between both theories is on the nature of motivation. Agency Theory places more emphasis on extrinsic motivation, while Stewardship Theory is focused on intrinsic rewards that are not easily quantified, such as growth, achievement, and duty.

2.3 Strategic Change

Change involves an attempt to alter the current way of thinking and acting by the organization's membership. More specifically, strategic change involves an attempt to

change current modes of cognition and action to enable the organization to take advantage of important opportunities or to cope with consequential environmental threats (Gioia and Chittipeddi, 1991).

Strategic change has been recognized as an important phenomenon because it represents the means through which organizations maintain co alignment with shifting competitive, technological, and social environments which occasionally pose threats to their continued survival and effectiveness (Kraatz and Zajac, 2001).

Helfat, et al. (2007) advances that strategy matter most during times of change. Businesses and people find it far easier to do more of the same than to do something different. As the markets become more globally integrated and new forms of technology and competition arise, companies cannot rest on their laurels. Firms must adapt to and exploit changes in their business environment, while seeking opportunities to create change through technological, organizational or strategic innovation. Strategic change has become a constant phenomenon which must be attended to and managed properly if an organization is to survive. Organizations' today face the dilemma of managing strategic change initiatives efficiently and effectively.

Change is unavoidable in a rapidly expanding world that makes it challenging for any organizations not to respond for their survival and prosperity. Changes in technology, the marketplace, information systems, the global economy, social values, workforce demographics and the political environment have a significant effect on the processes, products and services produced. The culmination of these forces has resulted in an external environment that is dynamic, unpredictable, demanding and often devastating to those organizations which are unprepared or unable to respond (Burnes, 2000).

Fligstein (1991) and Hannan and Freeman (1989) posit that organizational research has moved from an investigation of organizational statics to an investigation of organizational dynamics as much of it has focused on organizational change and its antecedents. Gersick (1994) opine that strategy and organizational researchers seem to vary in the extent to which they adopt an adaptive or inertial view of strategic change.

Those who argue for the predominance of strategic adaptation emphasize the role that managers play in monitoring environmental changes and modifying organizational strategy to better match environmental contingencies (Child, 1972). Theorists adopting a more inertial view of strategy argue that organizations are constrained in their ability to adapt, and that it is the general tendency for strategy to be preserved rather than radically changed (Hannan and Freeman, 1989). Political resistance and vested interests within an organization can also encourage inertia and make change difficult (Tushman and Romanelli, 1985).

2.4 Ownership Change

Demsetz and Villalonga (2001) cite an argument by Demsetz (1983) that the ownership structure of a corporation should be thought of as an endogenous outcome of decisions that reflect the influence of shareholders and of trading on the market for shares. When owners of a privately held company decide to sell shares, and when shareholders of a publicly held corporation agree to a new secondary distribution, they are, in effect, deciding to alter the ownership structure of their firms and, with high probability, to make that structure more diffuse. Subsequent trading of shares will reflect the desire of potential and existing owners to change their ownership stakes in the firm.

In the case of a corporate takeover, those who would be owners have a direct and dominating influence on the firm's ownership structure. In these ways, a firm's ownership structure reflects decisions made by those who own or who would own shares. Norley et al. (2001) defines restructuring as the act of reorganizing the legal, ownership, operational or other structures of a company for the purpose of making it more profitable and better organized for its present needs. Alternate reasons for restructuring include a change of ownership or ownership structure, demerger, a response to a crisis or major change in the business such as bankruptcy, repositioning or buyout.

Norley et al. (2001) note that a company that has been restructured effectively will theoretically be leaner, more efficient, better organized and focused on its core business with a revised strategic and financial plan. Restructuring has been adapted by managers in several industries so as to streamline cost, increase productivity and revenues, improve employees' welfare, increase shareholders wealth, enhance efficiency and improve performance among other reasons.

2.5 Strategic Positioning

The positioning view of strategy advanced by Porter (1996) posits that firms undertake strategic positions in order to differentiate themselves from existing and potential competitors along dimensions that are of importance to customers. Norman (1984) opine that much of what customers purchase from a service firm is a process and since they are interacting with that process, differences in the production process itself allow for differentiation among competing firms. Heskett (1986) and Mills (1986) advance three key differentiating mechanisms involving the production process that are customer co-production, customer contact, and service customization.

Perceptual positioning is proposed by DiMingo (1987) as involving the forging of a distinctive corporate or product identity closely based on market positioning factors and then using the tools of communication and promotion like advertising, public relations, Internet social media and networking, point of sale and collateral material to move the prospect toward a buying decision. This type of positioning translates market-determined values into the clear, focused language and visual images that install a product into its own niche in the consumer's mind. And if it's done well, of course, it will also install the product into the consumer's home or workplace.

2.6 Empirical Studies

In the Kenyan higher education sector, Gudo, et al. (2011) explores the perceptions on the quality of service delivery in public and private universities and the opportunities for quality university education in Kenya. Taking quality of service delivery as a strategic positioning initiative, the study finds that public universities do not have the necessary physical facilities to effectively offer service to its current student body. The study recommends that to absorb the large number of students in a double intake and offer quality education required, careful investment in physical facilities, teaching and research resources, innovative Information Communication Technology (ICT) and collaboration with the private universities is a necessity for public universities. This study is based on the context of a service sector for provision of higher education; it can be replicated in other sectors to underscore how strategic ownership changes can contribute to strategic positioning through investments in ICT and collaboration with competitor firms in an industry.

Baraskova (2010) analyze three distinct successful companies from the food industry producing drinks by investigating what makes them successful, what competitive

advantages they possess and how they position themselves strategically. Using the resource based view to evaluate the firms SCA, the study finds that all three companies possess valuable, rare, and difficult to imitate organization resources which contributed to the success of the companies. Considering the blue ocean strategy, the study notes that innovation, creativity and ability to be different from the rest of the players in the market yields good results. It is therefore not surprising that companies pursuing Blue Ocean strategy are absolute first movers and gain first mover advantages. The results of these case studies are limited to the beverage industry only. Further researches applying the developed theoretical framework can analyze companies in other industries and perform additional quantitative researches.

Scholars focus on how the interaction between the customer and the firm influences elements of the production process. Skaggs and Youndt (2003) find that when organizations choose to utilize more customer coproduction, they are less likely to make investments in human capital in their service production processes. This most likely result from organizations simplifying and standardizing their production processes as co-production increases. Such well-defined environments reduce the cognitive demands placed upon employees involved in the production process, which in turn reduces the organization's need to invest heavily in developing and selecting human capital. The study notes a strong positive relationship between service customization, customer contact and human capital.

Bruining, et al. (2004) reckon that a buy-out is a fundamental change in the structure of ownership that may affect the way employee relations develop within an organization and investigate the effects of a buy-out on employee relations. The study finds changes to employee relations in buy-outs in the contrasting institutional

environments of the UK and the Netherlands. Buy-outs are noted to positively affect HR practices with increases in training, employee involvement, the number of employees and pay levels. The positive effects appear to be significantly stronger in a less institutionalized environment like the UK than the more institutionalized environment of the Netherlands. Buy-outs raised HRM practices in the UK to a level closer although still below that of Dutch buy-outs.

Vo and Nguyen (2011) investigate the impact of ownership structure changes on the organizational culture of firms in the Vietnamese context. The researchers begin by identifying the dimension of the organizational cultures of two groups of firms, namely state-owned enterprises (SOEs) and privatized firms (PFs), using principal component analysis, and then comparing them to answer the question of whether organizational structure varies among firms with different ownership structures. By analyzing the information collected from structured questionnaires responded to by managers, staffs and workers in both state-owned and privatized companies, the researchers' show that the people and market orientations in PFs differ significantly from those in SOEs. However, no significant difference is found between the integration and performance orientations of these two groups.

Since privatization leads to a change in organizational ownership, Meshkani, et al. (2012) explores both the macro and micro level effects of changes in bank ownership structure. The study posits that the primary difference between a successful business and an unsuccessful one is how well the business owners can manage problems and crises that will arise, especially in processes related to discovering, evaluating, and exploiting opportunities to create future goods and services. One of these factors is related to organizational intelligence (OI) which is defined as organizational capacity

to collectedly use individuals' knowledge to orchestrate effective strategies and tactics to react to unexpected market changes to ensure quality of decision-making and superior performance. The study finds that there is a significant relationship between OI level and ownership change in public and private organizations. Moreover, private sector showed a higher degree of OI in six dimensions.

Bushnell and Wolfram (2005) investigate changes in operating efficiency at plants that have been divested from utility to non-utility ownership in the US because of the electricity industry restructuring. By examining efficiency changes relative to a set of plants that were retained under utility ownership, the results suggest that fuel efficiency improved by about 2% following divestitures, although non divested plants that were subject to incentive regulation also saw fuel efficiency improvements of similar magnitudes. The results therefore suggest that changes in incentives were the main driver behind the efficiency improvements and that the ownership transfers had little positive and possibly negative impacts on fuel efficiency.

McGukin, et al. (1995) analyzes the impact of ownership change on productivity, wages, and employment in U.S. food manufacturing plants and finds that ownership change is positively associated with productivity and wage growth, although the effects are significantly smaller for large plants. Second, ownership change appears to be associated with increases, not decreases, in employment at operating plants. Third, plants changing ownership show a greater likelihood of survival than those that do not change owners. These findings run counter to the notion that mergers and acquisitions cut wages and reduce employment.

2.7 Summary

Investment in resources, innovative Information Communication Technology (ICT) and collaboration is cited in the literature as necessities for strategic positioning in higher learning contexts. This being a service industry, ownership changes in firms can contribute to such investments for purposes of strategic positioning. Using the resource based view to evaluate the firms SCA, a study finds that companies possess valuable, rare, and difficult to imitate organization resources which contribute to the success of the companies. Firms pursuing blue ocean strategy apply innovation and creativity to be able to be different from the rest of the players in the market. Such companies are absolute first movers and they enjoy first mover advantages. Ownership changes in some instances affect human capital in organizations and subsequently influence strategic positioning. Some studies document changes to employee relations in buy-outs in the contrasting institutional environments. There is also evidence mentioned a strong positive relationship between service customization, customer contact and human capital. Investigations on the impact of ownership structure changes on the organizational culture of firms' finds no significant difference between the integration and performance orientations of the state owned and privatized firms. Change in organizational ownership is also believed to be significantly related to organizational intelligence as well as productivity and wage growth, although the effects are significantly smaller for large plants. Second, ownership change appears to be associated with increases, not decreases, in employment at operating plants. Third, plants changing ownership show a greater likelihood of survival than those that do not change owners.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology, which was used to carry out the study. It further describes the type and source of data, the target population and sampling methods and the techniques that were used to select the sample size. It also describes how data was collected and analyzed.

3.2 Research Design

The study assumed the cross sectional survey design. This design was appropriate as it enabled the researcher to give an account of the strategic implication of change ownership on Performance of commercial banks in Kenya. Coopers and Emory (1995) highly recommends this type of research design where several respondents give answers to specific questions at a one point in time survey.

3.3 Population of Study

The population of interest was banks in Kenya that have undergone strategic ownership change in the last five years (2008 to 2013). Considering that the total population of 6 commercial banks as listed in appendix two is small enough to warrant a census study, there was no sampling. The six commercial banks are Prime Bank, CFC Stanbic Bank, KCB, Jamii Bora Bank, Equatorial Commercial Bank and Ecobank.

3.4 Data Collection

The study used primary data collected from target respondents using a self administered interview guide. The interview guide (attached as appendix one) was used as a data instrument to collect primary data from the respondents' targeted. The guide was divided into three sections that had questions on bio data, strategic ownership changes in commercial banks and bank strategic position. The guide was administered to each of the CEO's of the six banks.

3.5 Data Analysis and Presentation

The data was analyzed using content analysis. It also involved use of absolute and relative (percentages) frequencies. Quantitative data will be presented in tables and explanation was presented in continuous prose.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The study aimed at collecting data that would help to establish the implications of change of firm ownership on the strategic positioning of commercial banks in Kenya. The population of interest comprised of banks in Kenya that had undergone strategic ownership change during the period 2008 to 2013. Such banks were identified to be six in number and included Prime Bank Limited, CFC Stanbic Bank (K) Limited, Kenya Commercial Bank Limited, Jamii Bora Bank Limited, Equatorial Commercial Bank Limited and Ecobank Kenya Limited.

Data was collected from the target respondents using a questionnaire divided into three sections that targeted information on bio data, strategic ownership changes in the respective commercial banks and their effects on strategic positioning of the banks. The Questionnaires were targeted to be administered by the bank CEOs with in-depth knowledge regarding strategy matters using the drop and pick later technique.

4.2 Profile of Respondents

Section one of the questionnaire aimed at gathering information on the demographic aspects of the target population namely the banks. From the analysis of the responses received it emerged that at least six banks took part in the study with senior management level officers playing their respondent roles.

This information was required to assist the researcher in making adequate conclusions regarding the accuracy of the responses obtained.

The researcher distributed one questionnaire to each of the six banks. All questionnaires were filled and collected.

4.3 Change of firm Ownership and Ownership Structure

The first objective of the study was to establish change of ownership practices and ownership structure in commercial banks in Kenya. Effective change management is considered as a process which deals with fundamental organization renewal and growth development of strategies, structures and systems necessary to effectively manage the desired change process. The following findings relate to change of ownership practices as observed by the respondents in their respective banks.

The first question of Section Three sought to find out from the respondents whether their banks had changed ownership in the last five years period. They were expected to either confirm with a Yes or No. From the findings it emerged that all the six banks had indeed changed ownership during the stated period.

Question two and three sought to establish the forms of ownership and structure of ownership in percentage terms before the merger/acquisition respectively. The section further sought to establish the ownership structure of the banks before restructuring. The findings emerged that individuals had 100% ownership of the banks before the restructure. For instance Southern Credit Bank Commercial Bank Limited was fully owned by private individuals.

From the findings it also emerged that the preferred forms of firm ownership by the banks is Total acquisition and mergers. Further regards to the ownership of the six banks, they had changed as follows;

Equatorial Commercial Bank and Southern Credit Banking Corporation Limited merged in 2010 to form Equatorial Commercial Bank Limited. The Bank is now privately owned by corporate entities and individuals. Similarly following the merger between Prime Bank and Prime Capital & Credit in 2008 the majority shareholding of the bank has been retained privately by individuals.

CFC Bank Ltd which was initially owned privately by individuals and perceived to have merged with Stanbic Bank Ltd in 2008 and is now fully owned by CFC Stanbic Holdings Ltd. Whilst Savings and Loan (K) Ltd merged with Kenya Commercial Bank in 2010 and is now fully owned by the latter. Savings and Loan is now a division of Kenya Commercial Bank Limited specialized in Retail and Commercial Mortgage finance.

City Finance Bank Ltd acquired the total assets and liabilities of Jamii Bora Kenya Ltd in 2010 and changed its name to Jamii Bora Bank Ltd. The new owners of the bank are Private individuals and corporate entities. Similarly, Ecobank Transnational Incorporated, a Pan-African Bank holding company acquired the Total assets and liabilities of East Africa Building Society in 2008 and changed its name to Ecobank Kenya Ltd. The latter is fully owned by the holding company.

Question four sought to establish the Ownership structure of the banks in percentage terms after the merger/acquisition of Banks. The respondents provided feedback of the change in percentage estimates. Notably the responses were varied. For instance in the case of Merger between Equatorial Commercial Bank and Southern Credit Bank,

Equatorial Commercial Bank now holds 80% shares while Southern Credit Bank retains 20% shareholding. In the case of CFC Bank Ltd and Stanbic Bank Ltd, following the merger Stanbic Africa Holdings Limited is now the controlling shareholder with over 60% shares. Ecobank Transnational Limited fully owns the Ecobank Kenya Limited following the acquisition of East Africa Building Society shares. Other respondents were reluctant to disclose the information judging by their non-response to this question.

The fifth and final question in section two sought to establish the possible reasons that necessitated this ownership restructuring. Reasons for change of ownership can be attributed to an organization's external as well internal environment. Organizations have to change to keep up with the competition or adjusting to new market trends or technologies. Options such as mergers, acquisitions, restructuring, technological advancements, process enhancements, changing customer demands and new product lines are fairly common in today's business environments.

Organizations monitor and scan their external environments, anticipate, and adapt timely to continual change. Strategic decisions are based on building on or stretching an organization's resources and competencies to create new opportunities or capabilities based on these resources. Strategy therefore, may in some cases require major resources which are beyond firm's existing capability. In such a situation, a merger or an acquisition may be the only available option. It may, therefore, for instance, be an appropriate phenomenon for an organization to merge with or acquire a supplier of its raw material so as to guarantee availability and quality of such raw material or with a competitor so as to expand its market share or with another firm in order to comply with changes in legislation. The findings revealed that Ecobank

Kenya Limited attribute their acquisition to the need for access to East Africa Market. On the other hand Equatorial Commercial Bank attributed their merger to the need for improving capital base for ease of trade. Kenya Commercial Bank Limited merged with Savings and Loans (K) Limited to grow their customer base and to ensure they have a stronger mortgage division.

4.4 Effect of Strategic Change of Ownership on Bank Positioning

As highlighted above there are several reasons that place significant demands on an organization to rethink its fundamental approach to business. Of significance is Changes to the products or services an organization offers, the target customer segments or markets it tries to reach. How the company distributes its products or services and its position in the Industry are just some examples of strategic changes.

Section Three sought to gather information on the effect of Change of ownership on Bank Positioning. Various indicators were used to gather specific information on positioning. The respondents were asked to identify the specific areas which had been affected by the change of ownership. The findings for the section were as follows:

Question one of this section sought to determine whether there was any change in products and services as a result of change of ownership it emerged from all six respondents that indeed there has been a significant positive change in the products and services offered following the merger/acquisition. For instance following the merger between Equatorial Commercial Bank Ltd and Southern Credit Bank Ltd the Bank has introduced new products in Personal Banking and Small & Medium Enterprise Banking. The Savings & Loans division that was established as a result of merger between Kenya Commercial Bank and Savings & Loans gave rise to

specialization of several mortgage products for Retail and Corporate clientele. Similarly Jamii Bora Limited which specialized in micro finance lending merged with Citi Finance Bank Ltd and introduced new banking products to suit the informal sector.

Through question two the researcher also sought to establish whether there was introduction of new risk control measures and new internal regulations as a result of the change in ownership. Any Strategic change that an organization undertakes will have detrimental impact on business operations if not well reviewed, assessed and implemented. Service Industries such as banks have several risks that are inherent if change lacks adequate planning. The risks involved include operational risk, financial risk and reputational risk among other. From the analysis of the responses it emerged that Risk control measures were heightened and may have been due to growth in portfolio, diverse product range and a mix of organization cultures that require acute risk control systems.

In tandem new internal regulations were refined and simplified so as to be able to improve on turnaround time. Process changes are inevitable and necessary during restructuring to improve the overall workflow efficiency and productivity within an organization. Process changes affect an organization's production operations such as how it produces its products; how it delivers its services or how it handles everyday business practices. Switching from one operating system to another is an example of a process change that would be implemented in a service Industry. Process changes improve the overall workflow efficiency and productivity of an organization.

Question three aimed at establishing whether there was introduction of new employee incentive; professional development plans or employee training programs after the merger/acquisition. Though responses were varied it did emerge that due to change in processes, systems and organization culture, capacity building programs were introduced.

Question four sought to establish whether there were any new developments on approaches to customer recruitment and retention after the restructure. With every change it is imperative to develop methods of customer recruitment and retention. Changes in culture, rebranding, pricing, products, and relationship management affect customers greatly. Resistance to change is not only internally but external customers also resist change. It is therefore necessary for the organizations that undergo structural changes to develop ways of attracting and retaining their clientele.

From the responses it emerged that there was a significant development in customer recruitment following the mergers/acquisition though respondents did not disclose the figures. The respondents agreed that there is a growth in customer recruitment and retention.

Question five aimed at establishing there were any changes or improvements in customer complaints handling mechanism. The findings revealed that with growth in customer recruitment, there was equally an increase in customer complaints. This may be attributed to the factors of resistance to change by the clientele as highlighted above. In a bid to retain their customers the banks developed new mechanisms to handle customer complaints more efficiently and effectively. The six respondents agreed that following the merger/acquisition improved mechanisms on handling customer complaints have been introduced.

The final question in section three aimed at gauging the extent of the change of ownership on positioning of the banks using the key indicators of positioning as addressed in the literature review section. On a scale of 1 to 5, the respondents were expected to indicate the extent to which the change of ownership had affected the listed indicators of firm positioning as discussed below:

Question one aimed at establishing the extent at which the change had affected recruitment of new customers. The Table below summarizes the findings.

Table 4.1 Degree of change of ownership on recruitment of new customers

Description	**Frequency**	**Percent (%)**
To a very great extent	0	0
To a great extent	3	50
To a moderate extent	2	33.3
To a little extent	1	16.7
Not at all	0	0
Total	**6**	**100**

Source: Research data (2013)

With regard to the Recruitment of new customers, from the responses contained in the Table 4.1, it emerged that 3 respondent making 50% of the total respondents' perceived significant change in the recruitment of new customers to a great extent. 2 respondents who make up 33.3% indicated that they agreed to a moderate extent to change in ownership occasioning recruitment of new customers. While only 1 respondent agreed that change in ownership resulted into little increase in recruitment of new customers.

Question two aimed at establishing the extent at which the change had affected retention of existing customers. The Table below summarizes the findings.

Table 4.2 Degree of change of ownership on retention of existing customers

Description	**Frequency**	**Percent (%)**
To a very great extent	0	0
To a great extent	0	0
To a moderate extent	5	83.3
To a little extent	1	16.7
Not at all	0	0
Total	**6**	**100**

Source: Research data (2013)

From the findings contained in Table 4.2 above, it emerged that 5 respondents moderately agreed that the banks were able to retain existing customers as a result of change in ownership. The response made up 83.3% of the respondents concurred with the question.

Question three aimed at establishing the extent of exit of already existing customers. The Table below summarizes the findings.

Table 4.3 Degree of change of ownership on exit of existing customers

Description	**Frequency**	**Percent (%)**
To a very great extent	0	0
To a great extent	0	0
To a moderate extent	0	0
To a little extent	4	66.7
Not at all	2	33.3
Total	**6**	**100**

Source: Research data (2013)

It emerged from Table 4.3 above, that change in ownership resulted into little or no exit of already existing customers. 66.7% of the respondents agreed that change in ownership had little effect on the exit of already existing customers while 33.3% responded that the restructure had no effect at all. Exit of customers may be attributed

to other factors such as attractive pricing by competition, preference of the client, suitable products offered by competition e.t.c.

Question four sought to establish the effect of change of ownership on customer complaints. The Table below summarizes the findings.

Table 4.4 Extent of change of ownership on customer complaints

Description	Frequency	Percent (%)
To a very great extent	0	0
To a great extent	5	83.3
To a moderate extent	1	16.7
To a little extent	0	0
Not at all	0	0
Total	**6**	**100**

Source: Research data (2013)

With regard to customer complaints all six banks agreed that that change of ownership had a great influence on increase in customer complaints possibly due to changes in products, personnel, pricing, and organization structures among others. It emerged from Table 4.4 above, that 5 respondents agreed to a great extent with the question while one respondent agreed moderately.

Similarly it emerged from Table 4.5 below, that despite the increase in customer complaints change of ownership also resulted greatly into increase in attention to customer complaints. 83.3% of the respondents concurred with the question to a great extent to a great extent.

Table 4.5 Extent of change of ownership on increased attention to customer complaints.

Description	Frequency	Percent (%)
To a very great extent	1	16.7
To a great extent	5	83.3
To a moderate extent	0	0
To a little extent	0	0
Not at all	0	0
Total	**6**	**100**

Source: Research data (2013)

It also emerged that change of ownership resulted into moderate customer growth rate and greatly to deposit and loan portfolio values. 83.3% respondents agreed that there was a moderate customer growth while only 16.7% respondents agreed to a great extent. Similarly all respondent agreed that the respective restructures had a great effect on deposit and loan portfolio values. These results have been illustrated in Tables 4.6 and 4.7 below.

Table 4.6 Extent of change of ownership on customer growth rate

Description	Frequency	Percent (%)
To a very great extent	0	0
To a great extent	1	16.7
To a moderate extent	5	83.3
To a little extent	0	0
Not at all	0	0
Total	**6**	**100**

Table 4.7 Extent of change of ownership on deposit and loan portfolio values

Description	Frequency	Percent (%)
To a very great extent	0	0
To a great extent	6	100
To a moderate extent	0	0
To a little extent	0	0
Not at all	0	0
Total	**6**	**100**

Source: Research data (2013)

It emerged from Table 4.8 below that there was an insignificant increase in market share. 33.3% respondents agreed that that was little effect of change of ownership on increase in market share while 66.7% agreed that change of ownership had no effect on market share.

Table 4.8 Extent of change of ownership on increase in market share

Description	Frequency	Percent (%)
To a very great extent	0	0
To a great extent	0	0
To a moderate extent	0	0
To a little extent	2	33.3
Not at all	4	66.7
Total	**6**	**100**

Source: Research data (2013)

Findings further revealed that bank profits, economic value added and market value added is to a great extent influenced by the change of ownership. The Table below illustrates as follows.

Table 4.9 Extent of change of ownership on bank profits

Description	Frequency	Percent (%)
To a very great extent	0	0
To a great extent	4	66.7
To a moderate extent	1	16.67
To a little extent	1	16.67
Not at all	0	0
Total	**6**	**100**

Source: Research data (2013)

66.7% of respondents agreed that change of ownership had a great effect on bank profits.16.7% agreed that the effect was to a moderate extent while the rest agreed the restructure had very little effect on the bank profits.

The effect of change of ownership on economic value added was perceived by 83.3% of respondents to be of great extent while 16.7% agreed at a moderately. Similarly change of ownership was perceived to have a great effect on market value added by all respondents. Tables 4.10 and 4.11 below summarize the findings as follows.

Table 4.10 Extent of change of ownership on Economic value added

Description	Frequency	Percent (%)
To a very great extent	0	0
To a great extent	5	83.3
To a moderate extent	1	16.7
To a little extent	0	0
Not at all	0	0
Total	**6**	**100**

Table 4.11 Extent of change of ownership on Market value added

Description	Frequency	Percent (%)
To a very great extent	0	0
To a great extent	6	100
To a moderate extent	0	0
To a little extent	0	0
Not at all	0	0
Total	**6**	**100**

Source: Research data (2013)

With regard to employee engagement levels at work place it emerged that change of ownership had little extent in employee engagement levels. Employees' engagement levels are motivated by other factors of change and not merely by change of ownership. Previous studies have determined that when organization changes is followed by change towards improving employee performance, skills, attitudes, behavior and loyalty to the organization, as well as to enhance manager-subordinate relationships, group cohesion and employee sense of achievement, then resistance to change is minimized. Table 4.12 below summarizes the finding as follows.

Table 4.12 Extent of change of ownership on employee engagement levels

Description	Frequency	Percent (%)
To a very great extent	0	0
To a great extent	0	0
To a moderate extent	1	16.7
To a little extent	3	50.0
Not at all	2	33.3
Total	**6**	**100**

Source: Research data (2013)

It emerged from Table 4.12 below that 50% respondents agreed that change of ownership resulted into little effect on employee engagement levels while 33.3% agreed there was no effect at all. However 16.7% agreed there was a moderate extent. Finally it emerged from the findings that change of ownership had a fairly moderate effect on employees. The indicators interviewed were employee satisfaction levels, training programs, professional development programs and employee satisfaction levels had a fairly moderate extent. 66.7% of the respondents agreed that effect of change of ownership resulted into moderate effect on employee satisfaction levels and incentives while 33.3% agreed that restructuring had little effect on employee satisfaction levels and incentives. Processes that change the culture of an organization are difficult to operationalize. It is worth noting that there is a merger of two different organizational cultures resulting from the merger/acquisition. As such genuine change takes time. Table 4.13 below summarizes the findings as follows.

Table 4.13 Extent of change of ownership on Employee satisfaction levels and Incentives

Description	Frequency	Percent (%)
To a very great extent	0	0
To a great extent	0	0
To a moderate extent	4	66.7
To a little extent	2	33.3
Not at all	0	0
Total	**6**	**100**

Source: Research data (2013)

4.5 Discussion

From analysis of the responses contained in data collected, it is apparent that banks generally take change management as a fundamental process in organization growth and development and therefore have undertaken subsequent measures and strategies necessary to effectively realize the desired change process. It emerged during the interview with respondents that most banks prefer total Acquisition and Mergers in the new form of Ownership in the change process. Nonetheless with regard to the ownership structure of the banks after the Merger/Acquisition, the responses were varied both for percentage shares and the possible reasons that necessitated the respective ownership restructuring.

CHAPTER FIVE: SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of findings, conclusions and recommendations of the study. The chapter also highlights the limitations of the study and based on the objectives of the study, recommendations given for further research.

5.2 Summary

Banks need to remain competitive in the phase of changes affecting them. The study aimed at establishing the implications of strategic change of ownership on the strategic positioning of banks in Kenya. From the analysis of the findings contained in chapter four it emerged that:

Indeed there has been a significant positive change in the products and services offered by the banks affected by the change in ownership the merger/acquisition. Most have introduced new products in Personal Banking and Small & Medium Enterprise Banking.

Banks have heightened Risk control measures probably due to growth in portfolio, diverse product range and a mix of organization cultures that require acute risk control systems. They have instituted new internal regulations which have been refined and simplified so as to be able to improve on turnaround time.

There were significant developments on approaches to customer recruitment and retention after the restructure and in a bid to retain their customers the banks

developed new mechanisms to handle customer complaints more efficiently and effectively.

The final question in section three aimed at gauging the extent of the change of ownership on positioning of the banks using the key indicators of positioning as addressed in the literature review section. On a scale of 1 to 5, the respondents were expected to indicate the extent to which the change of ownership had affected the listed indicators of firm positioning as discussed below:

There is perceived significant change in the recruitment of new customers to a great extent and that the banks were able to retain existing customers as a result of change in ownership.

Change in ownership resulted into little or no exit of already existing customers even as such change had a great influence on increase in customer complaints possibly due to changes in products, personnel, pricing, and organization structures among others. None the less, despite the increase in customer complaints in the face of change of ownership it also emerged that the increased complaints also resulted greatly into increase in attention to customer complaints.

Change of ownership resulted into moderate customer growth rate and greatly to deposit and loan portfolio values, as all respondent agreed that the respective restructures had a great effect on deposit and loan portfolio values.

The change only occasioned an insignificant increase in market share even as the findings pointed further that bank profits, economic value added and market value added is to a great extent influenced by the change of ownership.

Finally it emerged from the findings that change of ownership had a fairly moderate effect on employees. Employees' engagement levels are motivated by other factors of change and not merely by change of ownership.

5.3 Conclusion

The study conclusion is guided by the objectives of the survey and it is therefore concluded that indeed there is significant impact on positioning of banks brought about by change of ownership. This is through mergers and acquisition between financial institutions and commercial banks.

The introduction of new products offered by the banks is credited to the restructuring of the institutions. Heightened risk control measures and the implementation of new internal regulations meant to improve on processes and services is also a positive change attributed to the change of ownership.

The commercial banks applied key differentiating mechanisms such development of new mechanisms to handle customer complaints and development in customer recruitment and retention. The commercial banks concurred that the results of these developments were significant to the positioning of the banks. The institutions increased witnessed an increase in customer growth, profits, deposit and loan portfolio values, market value added and economic value added.

Even though these organizations are introducing new processes and regulations that are supposed to improve on service delivery and efficiency the banks need to examine their processes, structures, service delivery and products to reduce on customer complaints.

The banks also introduced capacity building programs for the employees however levels of staff incentives are relatively moderate. Employee engagement levels are also low though the reasons could not be established from the responses provided. The commercial banks invested in training their employees but lack of initiative to improve on employee incentive can be attributed as a factor of increased customer complaints due to low employee engagement level.

The banks concentrated more on processes and external customer and gave less attention to people aspect of change which is key in managing any change effectively. This will be in terms of addressing staff motivation to appreciate and embrace the restructuring process and general organization culture so as to achieve the desired result. The ownership changes are driven by unique factors which are people driven as such it is imperative for banks to give significant attention to the needs of their employees.

Arising from the findings of the survey, it will suffice to say that there is strategic ownership changes adopted by commercial banks in Kenya that impact positively on the strategic positioning of the banks.

5.4 Recommendations

The findings of this survey have confirmed that strategic change of ownership has a positive impact on the strategic positioning of commercial banks in Kenya. It was noted that commercial banks agreed that there is increased customer complaints and low levels of staff engagement with moderate employee satisfaction. There is therefore the need to improve on employee incentives in a bid to heighten employee engagement levels.

5.5 Limitations of the study

Challenges faced in undertaking this study included delays in obtaining required responses for timely data analysis. Respondents also had to continuously be reminded to respond to questionnaires. Finally there was bureaucracy in getting the questionnaires to the Chief Executive Officers of the banks.

5.6 Suggestions for further study

The study has investigated the implications of strategic change of ownership on the strategic positioning of commercial banks in Kenya. It would be interesting to conduct another study within the same area of research, however, investigating the implications of change of ownership on employee engagement levels.

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APPENDIX TWO: QUESTIONNAIRE

Section One: Demographic Information:

Name……………………………………………………………………………………….

Bank Name………………………………………………………………………………

Position In bank.…………………………………………………………………………….

Section Two: Change of ownership

1. Has your bank changed restructured its ownership in the last five year period?

   Yes ( ) No ( )

2. If yes as above,

   (i) Who were the initial owners?...

   (ii) Who are the new owners?...

3. What was the original ownership structure in percentage estimates?.................................

   ……

4. What was the new ownership structure in percentage estimates?

   ……………………………………………………………………………………

5. What are the possible reasons that necessitated this ownership restructuring?

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

Section Three: Effect of Change of ownership on Bank Positioning.

1. With the change in ownership, have there been any changes on the following in your bank?

i) Please tell us about your products and services as in whether they remain the same or changes have taken place. …………………………………………………

………………………………………………………………………………………

………………………………………………………………………………………

ii) What about Introduction of new risk control measures and new internal regulations ……………………………………………………………………………

……………………………………………………………………………………...

iii) In terms of incentive schemes; please tell us about new employee incentive schemes, professional development plans or employee training programs if at all they have been introduced…………………………………………………………

……………………………………………………………………………………….

iv) On approaches to customer recruitment and customer retention has there been any new developments since the changes took place………………………………..

……………………………………………………………………………………….

v) Have you made any changes in customer complaints handling mechanisms?

....

2. On a scale of 1 to 5, indicate the extent to which the change of ownership has affected the listed indicators of firm positioning

Where: 1 – Not at all, 2- To a little extent, 3- To a moderate extent

4- To a great extent, 5- To a very great extent

	1	**2**	**3**	**4**	**5**
CUSTOMERS					
1. Recruitment of new customers					
2. Retention of existing customers					
3. Exit of already existing customers					
4. Customer complaints					
5. Increased market share					
6. Increased attention to customer concerns					
7. Customer growth rate					
8. Deposit and Loan Business Assessment					
FINANCIAL					
9. Bank profits					
10. Economic value added					
11. Market value added					
	1	**2**	**3**	**4**	**5**
BUSINESS PROCESS					
12. Product innovation					
13. Service innovation					
14. Customer satisfaction levels					
EMPLOYEES					

15. Employee satisfaction levels					
16. Improved employee engagement					
17. Improved employee incentives					
18. Improved professional development programs					
19. Improved staff training programs					

THANK YOU FOR YOUR SUPPORT

APPENDIX THREE: List of Commercial Banks that have Undergone Strategic Ownership Change

No.	Institution	Merged with	Current Name	Date approved
1	9 Financial Institutions	All 9 Financial Institutions Merged together	Consolidated Bank of Kenya Ltd	1989
2	Indosuez Merchant Finance	Banque Indosuez	Credit Agricole Indosuez	10.11.1994
3	Transnational Finance Ltd.	Transnational Bank Ltd.	Transnational Bank Ltd.	28.11.1994
4	Ken Baroda Finance Ltd.	Bank of Baroda (K) Ltd.	Bank of Baroda (K) Ltd.	02.12.1994
5	First American Finance Ltd.	First American Bank Ltd.	First American Bank (K) Ltd.	05.09.1995
6	Bank of India	Bank of India Finance Ltd.	Bank of India (Africa) Ltd.	15.11.1995
7	Stanbic Bank (K) Ltd.	Stanbic Finance (K) Ltd.	Stanbic Bank Kenya Ltd.	05.01.1996
8	Mercantile Finance Ltd.	Ambank Ltd.	Ambank Ltd.	15.01.1996
9	Delphis Finance Ltd.	Delphis Bank Ltd.	Delphis Bank Ltd.	17.01.1996
10	CBA Financial Services	Commercial Bank of Africa ltd	Commercial Bank of Africa ltd	26.01.1996
11	Trust Finance Ltd.	Trust Bank (K) Ltd.	Trust Bank (K) Ltd.	07.01.1997
12	National Industrial Credit Bank Ltd.	African Mercantile Banking Corp.	NIC Bank Ltd.	14.06.1997
13	Giro Bank Ltd.	Commerce Bank Ltd.	Giro Commercial Bank Ltd.	24.11.1998
14	Guardian Bank Ltd.	First National Finance Bank Ltd.	Guardian Bank Ltd.	24.11.1998
15	Diamond Trust Bank (K) Ltd.	Premier Savings & Finance Ltd.	Diamond Trust Bank (K) Ltd.	12.02.1999
16	National Bank of Kenya Ltd.	Kenya National Capital Corp.	National Bank of Kenya Ltd.	24.05.1999
17	Standard Chartered Bank (K) Ltd.	Standard Chartered Financial Services	Standard Chartered Bank (K) Ltd.	17.11.1999
18	Barclays Bank of Kenya Ltd.	Barclays Merchant Finance Ltd.	Barclays Bank of Kenya Ltd.	22.11.1999
19	Habib A.G. Zurich	Habib Africa Bank Ltd.	Habib Bank A.G. Zurich	30.11.1999
20	Guilders Inter. Bank Ltd.	Guardian Bank Ltd.	Guardian Bank Ltd.	03.12.1999
21	Universal Bank Ltd.	Paramount Bank Ltd.	Paramount Universal	11.01.2000

			Bank	
22	Kenya Commercial Bank	Kenya Commercial Finance Co.	Kenya Commercial Bank Ltd.	21.03.2001
23	Citibank NA	ABN Amro Bank Ltd.	Citibank NA	16.10.2001
24	Bullion Bank Ltd.	Southern Credit Banking Corp. Ltd.	Southern Credit Banking Corp. Ltd.	07.12.2001
25	Co-operative Merchant Bank ltd	Co-operative Bank ltd	Co-operative Bank of Kenya ltd	28.05.2002
26	Biashara Bank Ltd.	Investment & Mortgage Bank Ltd.	Investment & Mortgage Bank Ltd.	01.12.2002
27	First American Bank ltd	Commercial Bank of Africa ltd	Commercial Bank of Africa ltd	01.07.2005
28	East African Building Society	Akiba Bank ltd	EABS Bank ltd	31.10.2005
29	Prime Capital & Credit Ltd.	Prime Bank Ltd.	Prime Bank Ltd.	01.01.2008
30	CFC Bank Ltd.	Stanbic Bank Ltd.	CFC Stanbic Bank Ltd.	01.06.2008
31	Savings and Loan (K) Limited	Kenya Commercial Bank Limited	Kenya Commercial Bank Limited	01.02.2010
32	City Finance Bank Ltd.	Jamii Bora Kenya Ltd.	Jamii Bora Bank Ltd.	11.02.2010
33	Equatorial Commercial Bank Ltd	Southern Credit Banking Corporation Ltd	Equatorial Commercial Bank Ltd	01.06.2010

No.	**Institution**	**Acquired by**	**Current Name**	**Date approved**
1	Mashreq Bank Ltd.	Dubai Kenya Ltd.	Dubai Bank Ltd.	01.04.2000
2	Credit Agricole Indosuez (K) Ltd.	Bank of Africa Kenya Ltd.	Bank of Africa Bank Ltd.	30.04.2004
3	EABS Bank Ltd.	Ecobank Kenya Ltd.	Ecobank Bank Ltd.	16.06.2008

Source: http://www.centralbank.go.ke/index.php/commercial-banks-mortgage-finance-institutions/mergers-or-acquisitions