

**COMPETITIVE STRATEGIES ADOPTED BY BANK OF
AFRICA KENYA LIMITED IN RETAIL BANKING IN
KENYA**

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DECLARATION

I declare that this research project is my original work and has not been presented for academic purposes in any other university.

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The Research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This study is dedicated to first to Almighty God, who has been my strength and divine inspiration in everything I do.

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ABBREVIATIONS AND ACRONYMS

BOA (K)	Bank of Africa Kenya
CBK	Central Bank of Kenya
GM	General Manager
KBA	Kenya Bankers Association
MFI	Micro Finance Institutions
SME	Small and Medium Enterprises
TMT	Top Management Team
TPU	Transaction Processing Unit
EXCO	Executive Committee

ABSTRACT

The choice of a competitive strategy is critical for the survival and success of any organization. The banking industry has witnessed intense competition the world over and the Kenyan banking industry is not an exception. To survive in this market, commercial banks have adopted different strategies to gain and sustain competitive advantage derived from their capabilities. This study was set out to investigate the competitive strategies adopted by commercial Bank of Africa Kenya limited in retail banking. The study adopted case study design to carry out this research where an interview guide targeting 9 senior managers of the bank was employed to collect data. Both primary and secondary data were sourced and used for analysis. The findings were analyzed by use of content analysis. The study revealed that BOA was majorly using cost leadership, differentiation and expansion strategies to penetrate the highly competitive retail market and enhancing its brand image. It also emerged that the bank had also started to apply market development strategies to enable it catch up with the stiff competition in the banking industry. The study recommended that the bank should focus on improving its ICT infrastructure, enhance the use of focus strategy in their products/services offering, and continue on its branch expansion strategy and collaboration strategy. The major limitation of the study was that the respondents were cautious about revealing a lot of information on the strategies they use and also the decision making process by the group's head office. The scope of the study was also a limitation as this was a case study. The researcher recommended that further research should also be undertaken to determine what strategies other companies in different related industries use to build competitive advantage. Also a similar study can be done in other banks or the Kenya Banking industry to establish if the findings will be similar. The researcher also suggested a study to be done on several or all banks in Kenya to arrive at a generalization as it is difficult to summarize case studies into general propositions and theories. The study established that Collaborative strategy has been well employed by the bank. Partnerships with various institutions have increased brand image of the bank as well as its competitiveness. The results have been a win-win for the bank, its clients and the staffs in general. The findings showed Bank of Africa, Kenya has been successful in blending the mix of Generic strategies and Ansoff growth strategies. The combination of the two sets of strategies was shown to be beneficial as the strategies complement each other.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The environment in which business organizations operate has become more volatile, unpredictable and very competitive. Ever increasing competition in all industries and entry of other players in each sector of any industry necessitate the design of competitive strategies to guarantee their performance and gain a competitive edge (Porter, 1985). Strategists have to anticipate the reaction of others (Gerry and Kenan, 2002). They argue that the key principle is for a strategist to put themselves in the shoes of competitors, so as to be able to anticipate what the competitor is likely to do and thus choose the best course of action. Crafting and implementing strategies is the heart of strategic management which is critical for the long term survival of any organization. Ansoff (1987), states that an organization must adapt to the environment. Environment is a key element to an organization's success. Organisations are environment dependent and environment serving (Drucker, 1954; Chandler, 1962; Ansoff, 1987). Competition is neither a matter of coincidence nor bad luck as observed by Porter (1980). Infact competition is healthy to the development of an industry.

For organization's to remain competitive, they need the concept of strategic conflict model. This theory views competition as a war between rival firms. According to Schelling (1963), conflict is inevitable and one has to study the behavior that is associated with any form of conflict and behavior of rival firms. Burnes (2009) views that a firm can achieve competitive edge and more returns by influencing the Behavior and actions of its rivals and thus, manipulate the market environment. Further, is the concept of game theory whose

predictions are used to describe, predict and explain behavior (Dixit and Nalebuff, 1991). Game theory is a competitive process whereby the firm seeks to determine the rival's most likely counter strategy to their own's strategies and thus formulates appropriate defensive measures (Camerer, 2001). Porter (1985) argues that firms create competitive advantage by conceiving new ways to deliver superior value to customers.

The banking industry has witnessed a growing number of players competing head-on, thus to remain competitive, they have to formulate and implement strategies that will enable them attract and retain customers. Players in this sector have experienced increased competition over the last few years resulting from increased innovations and new entrants into the market. This has forced the existing commercial banks to use varying competitive strategies depending on whether they want to defend the existing markets or to enter into new ones. A growing dependence on retail competition has forced many businesses to more closely scrutinize their competitive strategy. Bank of Africa Kenya Limited has over the years been a corporate bank, targeting corporate clients and high-end SME's with little emphasis given to the retail clients. Until recently, in the year 2013, BOA (K) through its 3 years strategic plan started diverting its efforts to the retail market. The Top Management Team (TMT) believes that the future of banking is in the retail sector, and thus for a bank to remain competitive, it must have its roots in the retail market.

1.1.1 The Concept of Competitive Strategy

Competitive strategy is concerned with how a firm competes in a given industry (Grant, 1998). Thompson, Strickland and Gamble (2008) define competitive strategy as concerned with specifics of management's game plan for competing successfully and securing a competitive advance over rivals. Ansoff and McDonnell (1990) define competitive strategy

as a distinct approach, which a firm uses or intends to use to succeed in the market. Porter (1985) also defined competitive strategies as the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs.

Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson, Scholes and Whittington, 2008). Porter (1990) defines strategy as a position of superiority on the part of a company in relation to competitors regarding the activities and functions performed, while Cobb (2003) argues that competitive advantage relates to how effectively and efficiently a firm meets the wants and needs of its customers in the marketplace, relative to other organizations that offer similar products or services.

Thompson, Gamble and Strickland (2006) stipulates that while core competences and competitive capabilities are a major asset in executing a strategy, they are equally important avenue for securing a competitive edge over rivals in situations where it is relatively easy for rivals to copy smart strategies. Porter (1985) outlines three approaches to competitive advantage and these are cost leadership, differentiation and focus. Once the three approaches are practiced the company is able to get an above industry performance. Porter continues to elaborate that if a firm doesn't practice one of the three approaches it will be stuck in the middle since firms face a common environment and competitive advantage is gained by implanting appropriate competitive strategy.

According to Thompson et al. (2008) the main objective of competitive advantage is to beat the rivals companies by offering products and services that satisfy the needs and preferences of the consumers. Competition is neither a matter of coincidence nor bad luck as observed by Porter (1980). In fact, competition is healthy to the development of an industry.

1.1.2 The Banking Industry in Kenya

There has been tremendous growth in the Kenyan banking industry. Changes in the Kenyan economy and Commercial Banks have not been spared from the impact of these changes. The banking industry in Kenya comprises commercial banks, microfinance institutions, foreign exchange bureaus and credit reference bureaus. There are 43 commercial banks in Kenya, where ten of them are listed on the Nairobi Stock Exchange (CBK, 2013). The banking sector is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and prudential guidelines issued by the Central Bank of Kenya.

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests. The KBA serves a forum to address issues affecting member banks. Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region. Secondly is the automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market.

The banking sector in Kenya has witnessed stiff competition forcing banks to repackage their services and products to satisfy the needs of customers and return their market share. Institutions are therefore increasingly offering e-banking services for both residents and non-residents. In response to this, some of the institutions have redefined their business strategies while leveraging on innovative and affordable products to capture this new market segment. Traditionally, some banks had developed strategies to get rid of the retail customers for example Barclays bank Kenya Ltd, while others had shunned from offering any product or service for the retail customers. Others capitalized on that banking gap, recording a high degree of success, making other players in the market to re-think about their strategies, for example Equity Bank Ltd and Family bank Ltd.

1.1.3 Bank of Africa, Kenya Limited

Bank of Africa Group began its operations in Mali in 1982, with the first BANK OF AFRICA, which was created with almost no external help. Today, the BOA group is established in 17 countries. These includes; Eight BOA banks in West Africa (Benin, Burkina Faso, Côte d'Ivoire, Ghana, Mali, Niger, Togo and Senegal), Seven BOA banks in East Africa and the Indian Ocean (Burundi, Djibouti, Ethiopia, Kenya, Madagascar, Tanzania and Uganda), One in the Democratic Republic of the Congo, and also one in France, across a network of 15 commercial banks, one financial corporation, one leasing company, one brokerage firm, two investment companies, one asset management company and one Group representative office in Paris.

Bank of Africa, Kenya Limited started as Banque Indosuez Kenyan Branch in 1981, which was later acquired by Credit Agricole Bank. It was incorporated under Kenyan law and

integrated as a subsidiary into the BOA Group network in 2004. Since year 2010, the BOA Group has been majority-owned by BMCE Bank, the second largest private bank in Morocco. BMCE Bank brings strong strategic and operational support to the BOA group, as well as direct access to the international market as a result of its presence in Europe and Asia. BOA Kenya commenced operations in Kenya in July 2004, after acquiring the Kenyan branch of Credit Agricole Indosuez. Its main clients by then were purely corporate, with only a little emphasis on high-end SME's. It had only 2 branches in the major cities of Nairobi and Mombasa. Today, the bank has 33 branches in Kenya of which 17 are in Nairobi and the rest in upcountry, targeting the corporate, SME's and retail clients. The Top Management Team (TMT) believes that the future of banking is in the retail sector, and that for a bank to remain competitive, it must have its roots in the retail market.

BOA Kenya has been formerly known as a corporate bank targeting corporate and high-end SME clients. With the recent acquisition by BMCE Bank Morocco, the strategic focus have changed and the entire BOA group have laid down strategies to enter and compete in the retail market. This has been necessitated by the predictions that in the next 10 years, the future of the banks will be the retail market. BOA Kenya have had to strategize for the new market entry by introducing new products, re-alignment of the organization structure, pricing strategies for its new and existing products and aggressive marketing and advertisements among other things.

1.2 The Research Problem

A strategist must at all times seek to position the firm to occupy the best place in the industry to influence the operating environment in favour of the firm (Cobb, 2003). Porter

(1998) emphasizes that competition is the determinant of the success or failure of organizations and that every competing firm should have a competitive strategy which will relate the firm to its environment. To gain competitive advantage, some organizations adopt technologies that are unique or advanced, others advance their brand, while others develop their staff to obtain special skills. As explained by Porter (1996), strategy if well implemented can lead to a firm's improved operations and competitiveness. Porter (1980) viewed competitive strategy in terms of three generic strategies which include cost leadership, differentiation and focus strategy.

There has been increased competition from commercial banks in opening branches in rural areas where they could not previously dare. BOA (K) has grown from only two branches which were serving corporate clients, to currently 32 branches targeting the retail market. BOA Kenya have been previously targeting corporate clients. The bank, having been a corporate bank had to change the strategy as it needed to be more competitive by growing its retail market base. With the recent acquisition by BMCE Bank Morocco, BOA Kenya have had to strategize for the new market entry by introducing new products, re-alignment of the organization structure, pricing strategies for its new and existing products and aggressive marketing and advertisements among other things. Entry into the competitive retail market have not been without hurdles by BOA, key among them being low uptake of the new products, brand recognition and structural issues.

Several studies have been conducted about the use of strategy by firms to gain competitive advantage in almost all the industries, both locally and internationally. Dyer and Singh

(1998), studied cooperative strategy and sources of inter-organizational competitive advantage. They argued that the increasing important unit of analysis for understanding competitive advantage is the relationship between firms. Beddowes (1994) indicated that the clarity of commercial banks objectives in terms of innovation as a competitive strategy has led to an increased emphasis on the evaluation of return on investment. Day and Wensley (1988) focused on two categorical sources involved in creating competitive strategy, superior skills and superior resources while Barnley (1991) stated that not all firms' resources hold the potential of sustainable competitive advantage, instead, they must possess four attributes: rareness, value, inability to be imitated and inability to be substituted.

Warucu (2001) evaluated competitive strategies employed by commercial banks that participate in clearing house, Chege (2008) discussed competitive strategies adopted by Equity Bank Ltd while Awour (2011) also examined the competitive strategies employed by Kenya Commercial Bank Group Ltd. Mwangi (2013) looked at strategies employed by NBK to gain competitive advantage. She established that there is cut-throat competition in the banking industry for customers and profitability. As a result, commercial banks increasingly innovate and adopt various strategies to differentiate them from competition and place them at an advantage relative to other players. Ndubi (2013) studied competitive strategies adopted by Bank of India, while Mutugi (2006) looked at the strategic responses of Barclays Bank Kenya to the changes in retail banking. He concluded that Barclays Bank responded to these environmental changes through a market strategy, human resource strategy, information technology strategy and operational strategy. The key observation in all these studies is that different firms use different strategies to gain competitive advantage.

Studies in other industries includes; Ngobia (2004) whom, on his research about the basis of competition in the mobile phone industry in Kenya found out that competition in the industry was crucial both for survival of existing players as well as for long term sustainable and profitable existence of industry players. Kiptoo (2011) examined challenges of competition on Kenya Airways and Competitive Strategies adopted by the Airlines. Mutegi (2013) did a survey on competitive Strategies adopted by Supermarkets in Nairobi Kenya and concluded that focus strategy is the most effective strategy to use. Wanjira (2005) carried out a study on factors affecting competitive strategies in Kenya Hospitality Industry. None of the previous studies has dealt with competitive strategies adopted by bank of Africa Kenya limited in retail banking. Based the above evaluation, there exists a gap in literature to warrant a research to be conducted in this industry. This study intended to provide an insight into the competitive strategies adopted by bank of Africa Kenya limited in retail banking. What are the competitive strategies adopted by bank of Africa Kenya limited in retail banking?

1.3 Research Objective

The objective of this study was to determine the competitive strategies adopted by Bank of Africa, Kenya in retail banking.

1.4 Value of the Study

The findings of this study have enriched existing knowledge in competitive strategies amongst Kenyan banking industry and hence is of interest to researchers who seek to carry out further research on competitive strategies. Game theory helps a firm to determine the

rival's most likely counter strategy to their own's strategies and thus formulates appropriate defensive measures. The outcomes of this study provides a framework for monitoring competitor's likely moves by BOA (K) and enable it formulate counter strategies to remain competitive. The theory of strategic conflict model views competition as a war between rival firms. This study therefore enables BOA (K) to achieve and maintain a competitive edge by establishing behavior of rival firms and formulating counter strategies. Resource based view theory states that competitive advantage is created when resources that are owned exclusively by the firm are applied to develop unique competencies and therefore, this study will enable BOA (K) to employ its resources to gain competitive edge in the market.

The study makes senior managers of BOA (K) have a better understanding and appreciation of the retail banking strategies that relate to the industry. Research in this area has helped in better understanding the current strategies employed and what the bank needs to do to strengthen its competitiveness. The study also assist other bank managers make appropriate decisions following the sample strategies that have been implemented by BOA (K) to have a competitive advantage in the retail banking. The study is also beneficial to the Kenyan banking sector in particular. This is more so considering the highly competitive and dynamic nature of the banking industry in Kenya.

This research is of value to government regulatory bodies as it will assist them in coming up with policies and laws that would catalyze the banking industry. This is more so considering that the banking industry contributes significantly to the Kenya's GDP.

The findings are also vital to the government and its policy and regulatory framework. The government will be in a position to put in place effective policies and regulations to help the retail sector in dealing with the challenges they encounter.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Competitive strategy is concerned with how a firm competes in a given industry (Grant, 1998). Ansoff and McDonnell (1990) define competitive strategy as a distinct approach, which a firm uses or intends to use to succeed in the market. This chapter presents the literature review of past studies done that are related to this study. The specific areas covered in this chapter include theoretical underpinnings, competitive strategies and the Research gaps. The chapter discusses the literature review in form of theoretical review and past research.

2.2 Theoretical Underpinnings of the Study

Over the years, numerous definitions for strategy have been advocated in support of game theory. Chandler (1962) defined strategy as the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of action and the allocation of resources necessary for carrying out the goals.

Game theory has emerged as a predominant methodology for analyzing business strategy (Shapiro, 1989). It makes it possible to observe the behavior of rational players in a game and predict what decision they will make next. Game theory deals with the process of competitive interaction involving making decisions when two or more rational opponents are involved under conditions of conflict and competition. Players have to anticipate the reaction of others players (Gerry and Kenan, 2002). They argue that the key principle is for a player to put themselves in the shoes of competitors, so as to be able to anticipate

what the competitor is likely to do and thus counter the move by choosing the best course of action. In game theory according to Gandoifo (2011) every firm has complete information about the rules of the game and the preferences of the other players for each result. In times of uncertainty, game theory should come to the forefront as a strategic tool, for it offers perspectives on how players might act under various circumstances, as well as other kinds of valuable information for making decisions.

Resource based view as coined by Wernfelt (1984), advanced the idea that strategy of a firm is a function of the compliment of the resources held. Hitt (1995) argues that the resource based view (RBV) of competitive advantage assumes that each firm is a collection of unique resources and capabilities. These resources and capabilities are source of organizations strategy and competitive advantage. The essence of the Resource Based Model is that competitive advantage is created when resources that are owned exclusively by the firm are applied to developing unique competencies thus resulting advantage can be sustained due to lack of substitution and imitation by the firm's competitors. Competitive advantage ultimately can be attributed to ownership of valuable resources that enable the company perform its activities better than competitors. Organizational capabilities are defined by the complex combination of assets, people and processes that companies use to transform inputs into outputs. The nature of RBV ensures inimitability, durability, substitutability and competitive superiority (Wernfelt, 1984).

Schmidt and Kochan (1972) define conflict by saying that a perceived opportunity exists for interfering with the other's goal attainment. Hocker (1985) defines conflict as an expressed struggle between at least two interdependent parties who perceive incompatible

goals, scarce rewards, and interference from the other party in achieving their goals. The strategic conflict model portrays competition as war between rival firms with the phrase that no battle plan ever survived the first encounter with the enemy (Mintzberg, 1999). According to Schelling (1963), conflict is inevitable and one has to study the behavior that is associated with any form of conflict and behavior of rival firms. Burnes (2009) views that a firm can achieve competitive edge and more returns by influencing the Behavior and actions of its rivals and thus, manipulate the market environment. The common theoretical contention of strategic conflict theory is that appropriative activities are rationally influenced by the opportunity cost of foregone production (Carter, 1999).

2.3 Competitive Strategies

There are various strategies that a firm can adopt in order to achieve competitive advantage. These include the competitive approach, the collaborative approach, the grand as well as the resource based strategies. Ansoff and McDonnell (1990) see competitive strategy as a distinct approach, which a firm uses or intends to use to succeed in the market. Porter (1998) argues that an effective competitive strategy takes offensive or defensive action in order to create a defensible position against the five competitive forces and thereby yield a superior return on investment. Broadly, this involves a number of possible approaches as follows: positioning, influencing the balance, exploiting change and diversification strategy.

Thompson, Strickland and Gamble (2008) define competitive strategy as concerned with specifics of management's game plan for competing successfully and securing a competitive advance over rivals. Porter (1985) also defined competitive strategies as the search for a favorable competitive position in an industry, the fundamental arena in which

competition occurs. It aims to establish a profitable and sustainable position against the forces that determine industry competition. According to Thompson et al. (2008) the main objective of competitive strategy is to knock the socks off rivals companies by doing a better job of satisfying buyer needs and preferences.

2.3.1 Collaborative Strategy

The notion of companies collaborating for their mutual benefit through the formation of strategic alliances has gained credibility in recent years and banks have been very active in utilizing this form of strategic development. In this strategy, firms gain competitive advantage by working together as opposed to working against each other (Hunger and Wheelen, 2003). Organizations seek to develop beyond their traditional boundaries by collaborating to gain entry into new markets and to reduce costs brought about by competition. Channon, (1990) agreed that firms form strategic alliances so as to achieve certain strategic goals. According to Doz and Hamel (1998), alliances make it possible for a firm to reduce investment risks, share resources and improve efficiency. As Kenter (1997) pointed out, strategic alliances are a fact of life in business today irrespective of duration and objective of the business alliance. Successful strategic relationships however require critical entrepreneurial skills in order to innovatively develop requisite competitive advantage from each other and combine them for the advantage of all involved (Barasa 2008).

Collaboration between potential competitors, buyers or sellers is likely to be an advantageous when combined costs are lower as a result of collaborations than the cost of operating alone. Baysinger and Hasskinsson, (1989) noted that merged firms increase their

market power. Suppliers collaborate to build close links with customers to jointly design new quality products hence increase selling power. Organizations are also making arrangements to tie suppliers to their Enterprise Resource Planning (ERP) system, the result of which is coordinated buying power. (Johnson et al.2008). Through research and development, mergers promote industry generic features so as to overcome substitution. Kautz (2000) argued that competitive advantage in mergers emanate from getting better prices for goods to seeking business with an aim of minimizing risks and maximizing company leverage. Chaundhuri and Tabrizz (1999) saw mergers and acquisition as critical tools for growth in a new economy.

2.3.2 Resource Based Strategy

A company's resources generally comprise physical, financial, human and intellectual capital (Johnson et al 2008). Resources are viewed as important antecedents to products and, ultimately, firm performance. A company is positioned to succeed if it has the best and most appropriate stock of the resources relevant for its business and its strategy. The classic approach to strategy formulation begins with an appraisal of organizational competencies and resources (Andrews, 1971). Those which are distinctive or superior relative to those of rivals, may become the basis for competitive advantage if they are matched appropriately to environmental opportunities (Thompson and Strickland, 1990). According to Thompson (2007), each firm should develop competencies from its resources and when these are developed well, they become the source of the firm's competitive advantage. Hamel and Prahalad (1994) agreed that the distinctive competences of a firm must have customer value, extendibility, and must be competitor unique for them to attain maximum benefits for the firm.

A company's competitive advantage is derived from its ability to assemble and exploit its resources and capabilities in synergistic combinations. There is therefore need for a good fit between the external market and the firm's internal capabilities. This view of achieving competitive advantage is grounded on the premise that a firm's internal environment is more critical to determination of strategic actions than is the external environment. Competencies must therefore be rightly matched in order for a firm to reap benefits from its strategic capability. According to Johnson et al (2008), strategic capabilities earn sustainable competitive advantage if they are rare, robust, non- substitutable and dynamic. Operational excellence is a strategic approach to production and delivery of products and services and lead to product innovation and development which a firm uses to continuously produce state of the art products and services (Pearson and Johnson, 2007).

Embracing research and development, a firm becomes the technological leader hence becomes the pioneer low cost product design and benefits are achieved from the experience curve. The firm also benefits from financial planning which results to a good balance between equity and debt financing. Human resource and attitude adopted towards handling customers determine repeat buys from customers. Customer knowledge is combined with operational excellence and flexibility to create customer loyalty. Employees in customer intimate companies strive to ensure customer satisfaction by continuously customizing products and services as well as customer needs, (Chege, 2008). Superior skills also earn a firm competitive advantage. They comprise staff capability, systems and marketing savvy that are not available to the competition. These result to improved quality and productivity.

2.3.3 Product - Market growth Strategies

Ansoff (1957) created Product-Market Growth Matrix as a marketing tool to allow for marketers to consider ways to grow the business via existing and/or new products and also in existing and/or new markets. There are four product/market strategies which include: market penetration, market development, product development and diversification. This matrix helps companies decide what course of action should be taken given current performance. Pearce and Robinson (2010) the matrix includes market penetration, product development, market development and diversification. The output from the Ansoff's matrix is a series of suggested growth strategies that set the direction for the business strategy (Onyango, 2011).

Market penetration is an effort to increase company sales without departing from an original product-market strategy. The company seeks to improve business performance either by increasing the volume of sales to its present customers or by finding new customers for present products. However, penetration has limits and once the market approaches saturation, another strategy must be pursued if the firm is to continue to grow.

Product development strategy, on the other hand, retains the present mission and develops products that have new and different characteristics such as will improve the performance of the mission (Ansoff 1957). It may be appropriate if the firm's strengths are related to its specific customers rather than to the specific product itself. In this situation, it can leverage its strengths by developing a new product targeted to its existing customers. This strategy carries more risk than simply attempting to increase market share.

Market development is a strategy in which the company attempts to adapt its present product line to new markets. It involves the pursuit of additional market segments or geographical regions. This strategy works well if the firm's core competencies are related more to the specific product, than to its experience with a specific market segment. Market development strategy is more risky than the penetration strategy as it involves expansion into new markets.

Diversification is the final alternative. It calls for a simultaneous departure from the present product line and the present market structure. Diversification requires both product and market development, hence it is the most risky strategy amongst all. Each of the above strategies describes a distinct path which a business can take toward future growth. However, it must be emphasized that in most actual situations a business would follow several of these paths at the same time.

2.3.4 Generic Strategies

Porter (1980) outlines three consistent generic strategies which can be used singly or in combination for creating a competitive position in the long term for a firm. They include: differentiation, cost leadership and focus. Davidow and Ural, (1989) defined differentiation strategy as positioning a brand in such a way as to make it different from the competition and establish a unique image. Differentiation creates a blue-ocean market for a product. According to Ogbonna and Harris (2003), differentiation reduces competitiveness and the fight for scarce resources, thereby improving performance; but on the other hand, conformity makes organizations similar and, therefore competitiveness becomes stronger. Differentiation strategy involves delivery of superior benefits that exceed those of

competing products as perceived by consumers that they can command premium prices (Porter, 1994). Organizations can pursue differentiation strategy through superior service, multiple features, convenience, quality service, technological leadership and innovation. A differentiator's basis for competitive advantage is either product service offering whose attributes differ significantly from the offerings of rivals or a set of capabilities for delivering customer value that rivals are not offering (Porter, 1994).

A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes and engineering design and performance are examples of approaches to differentiation (Porter, 1980). Differentiation strategy aims to build up competitive advantage by offering products which are characterized by valuable features, such as quality, innovation and customer service. Svatopluk and Ljuba (2006) argue that strategies based on differentiation seek to establish fundamental difference in a variety of dimensions that buyers perceive a marked contrast between product and services of firm and its rivals. They further add that firms that successfully differentiate themselves are rewarded for their uniqueness with a premium price. The uniqueness should also translate to profit margins that are higher than those of competitors.

Cost leadership strategy is a strategy that involves a firm to be the overall low cost provider of a product or service that appeal to a broad range of customers. For an effective cost leadership, a firm must have a large market share (Hyatt, 2001). A firm strives to have the lowest cost in the industry and offers its products and services to a broad market at the

lowest prices. A cost leader basis for competitive advantage is lower overall costs than competitors. Successful leaders are exceptionally good at finding ways to drive cost out of their business. Cost leadership strategy focuses on gaining competitive advantage by having the lowest cost and cost structure. In the industry (Porter, 1980) in order to achieve a low cost advantage an organization must have a low cost leadership mind-set. Low cost manufacturing with rapid distribution and replenishment and a workforce committed to the low cost strategy. The organization must be willing to discontinue any activities in which they don't have a cost advantage and may outsource activities to other organization that have a cost advantage (Malburg, 2000).

Focus strategy aims at serving a target niche market or by developing an ability to offer niche customers something different from rival competitors Porter (1994). Thompson et al. (2008) argues that for the focus strategy to be attractive the target market niche should be wide to enable be profitability and should offer good growth potential. By focusing the marketing mix on the narrowly defined market the business can position itself to increase brand loyalty and customer satisfaction thus shielding itself from the perils of the minimum price maintenance agreement and effects of the impact of potentially increasing costs. This supports the long tail theory (Anderson, 2006) which proposes that increased profitability can be realized by serving small but demanding customer base willing to pay a premium price for it unique product desires. Obasi et al (2006) argues that focus is also based on adopting a narrow competitive scope within an industry that large firms overlook. A focused strategy based on either low cost or differentiation is attractive when the target market is big enough to be profitable and has potential for growth and industry leaders do

not see presence in the niche as crucial to their own success (Thompson and Strickland,1999). Focus aim at growing the market share through operating in narrow markets or niche markets that are overlooked by the larger competitors.

2.4 Research Gaps

In recent years there has been an increased focus on identifying the competitive strategies adopted by different firms. Prior studies have found that competition improves the performance in any industry and at the same ensuring quality of services to its customers. Previous research has also widely investigated the relationship between firm's competitiveness and the various strategies employed by those firms (Soininen, 2012). However, the results obtained are inconclusive or even contradictory and thus consequently, many researchers have concluded that more research is needed in the area of competitive strategies.

Day and Wesley (1988) focused on two categorical sources involved in creating competitive strategy, superior skills and superior resources. However, Barnley (1991) stated that not all firms' resources hold the potential of sustainable competitive advantage, instead, they must possess four attributes: rareness, value, inability to be imitated and inability to be substituted. Ndubi (2013) studied competitive strategies adopted by Bank of India, while Mutugi (2006) looked at the strategic responses of Barclays Bank Kenya to the changes in retail banking. He concluded that Barclays Bank responded to these environmental changes through a market strategy, human resource strategy, information technology strategy and operational strategy. The key observation in all these studies is that different firms were found to be using different strategies to gain competitive

advantage. The researcher also found out that the level of success of any strategy employed by a firm depends on both the specific strategy itself and the level of success in the implementation of the same.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The aim of this chapter is to define the research design and methodology used in the study. Research is defined as the process of arriving at a dependable solution to a problem through systematic analysis and interpretation of data. This chapter looks at the analytical framework of the research design, data collection and data analysis. It explains the research design that will be employed, how data will be collected and how the data will be analyzed in order to write a report and provide findings.

3.2 The Research Design

The research design was a case study. Selected members of middle and top management were interviewed to establish the competitive strategies adopted by bank of Africa Kenya limited in retail banking. A case study method is popular for qualitative analysis and involves a careful and complete observation of a social unit, person or institution. It is an intensive investigation of the particular unit under consideration (Kothari, 2004).

Case study is favourable because it will allow an in depth understanding of the behavior pattern of BOA (K). It further facilitates an intensive study of the concerned organization which may not be useful with different other methods, Musa (2005). Additionally, a case study allows a researcher to use one or more of several research methods depending on circumstances. These methods may include in-depth interviews, questionnaires documents, and report study.

3.3 Data Collection

Both Primary and secondary sources of data were used to obtain information for the study. Data for this research was collected using the interview method. The researcher targeted to have a one-on-one interview with nine respondents using an interview guide attached in appendix 1. The researcher targeted to administer the interviews to the managing director, GM operations and support, GM risk and finance, GM business development, head of human resource, head of finance, head of operations, head of audit and head of retail since they are the people involved in the strategic plan formulation and are tasked with implementation.

Secondary data supplemented primary data. Existing reports such as Market surveys, Industry analysis reports, audited financial reports, BOA's 2013 hand book, existing and previous strategic plans were much useful in extracting secondary data.

3.4 Data Analysis

According to Zikmund (2003), data analysis is the application of reasoning to understand and interpret the data that has been collected. The research used content analysis method to analyze the competitive strategies adopted by bank of Africa Kenya limited in retail banking. Content analysis has been defined as a research technique for the objective, systematic, and quantitative description of the manifest content of communication (Berelson, 1952). Kothari (2004) described content analysis as a method of analyzing contents of documentary materials such as books, journals, magazines, newspapers and most importantly, content of verbal material sources whether spoken or written.

The information gathered was divided logically using qualitative analysis to facilitate proper interpretation. The researcher applied a systematic, theory-guided approach to text analysis using a category system which ensured a more qualitative text interpretation.

Mugenda and Mugenda (1999) observed that this method is appropriate for case studies because the researcher provides a systematic description of the composition of the objects that comprise the study. As for Weber (1985) content analysis is a research methodology that utilizes a set of procedures to make valid inferences from text. Hence content analysis is considered as the most effective type of analysis for the study.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter covers data analysis, findings and discussions on data gathered from the field. Primary data was collected using interview guide. Data analysis was done through content analysis to determine the competitive strategies adopted by bank of Africa Kenya limited in retail banking. The data analysis was designed with the intention of answering the research objective. The researcher had a one-on-one interview with nine respondents using an interview guide attached in appendix 1. The researcher administered the interviews to the Deputy Managing director, GM operations and support, GM risk and finance, GM business development, Head of human resource, Head of finance, Head of operations, Head of audit and Head of retail since they are the people involved in the strategic plan formulation and are tasked with implementation.

The study investigated the background of the respondents on the basis of their past and current positions held, their role in strategy formulation and the period in years the respondents had worked in organization. All the respondents were senior managers of BOA, and were involved in strategy formulation and implementation. This implied that the information on competitive strategies adopted by the bank in retail banking was sourced from staff who better understood the strategic direction of the bank in the retail market segment.

4.2 Strategic Planning at Bank of Africa, Kenya

The research revealed that most of the senior management has been at the bank for at least two years. They all confirmed that they were familiar with the bank's strategic plan and their various roles in implementation. The research established that all heads of departments, with the assistance of senior managers, were tasked with implementing the strategic plan in their respective departments. Their primary task is to create unity of purpose and to ensure that all members share in the common vision. The respondents all had faith in the review process which happens regularly in a bid to check on the progress of implementation vis-à-vis the challenges. The bank has in place short term objectives which are tied to the long term objectives of the strategic plan. The EXCO has meetings every fortnight where the heads of departments report on the progress of their respective departments and how far they are with implementing the chosen strategies.

In order to find out precisely what products and services BOA (K) offers, the respondents cited a variety of products and services offered and the responses included general banking services which emerged out to be the most common services offered at BOA (K), followed by credit facilities, money transfer services, mortgage services, foreign currency exchange, Mpesa transfers and customers' service. This gave an indication that BOA (K) offers more of general banking services like account opening, Cheques clearing, deposits and withdrawals and has enhanced money transfer, mobile banking, internet banking and mortgage services to enable customers to have much more user-friendly offers. The number of products and services offered in the bank is an issue of capacity to gain competitive advantage. This is because the variety of products and services offered by a bank gives customers a wide range of alternatives in making choices on type of services they prefer.

4.4 Competitive Strategies Adopted By BOA in retail banking

The main objective of the study was to determine the competitive strategies that BOA has adopted in retail banking. The interview guide was divided into two sections; section one sought to find general information about the respondents and the bank and section two sought to establish data on the competitive strategies Bank of Africa, Kenya limited has adopted in retail banking. The following discussions relates to the findings of the study.

On the question of if BOA has adopted any formal strategies for achieving its objectives, all interviewees agreed on the existence and adoption of a formal strategy. The research established that all heads of departments, with the assistance of senior managers, were tasked with implementing the strategic plan in their respective departments. The bank has in place short term objectives which are tied to the long term objectives of the strategic plan.

On the responsibility of strategy implementation, the respondents highlighted that the strategic planning and implementation processes involves the senior management. However, it is also cascaded downwards to involve the operational staff, by seeking feedback and ideas. The bank have also introduced a databank to store ideas from all the stakeholders, which is used on strategy implementation and review. This has helped the bank to be able to buy in all the stakeholders, thus creating a sense of accountability and ownership in the staff resulting to increased efforts to making the strategic plan work.

When asked if they thought the strategies are geared towards gaining competitive advantage, majority of the respondents were in agreement. Their strategy is aimed at giving maximum satisfaction to their clients by offering a one-stop shop for all their needs. One of the respondent noted that though the current strategy is working well, it needs to be revised in the coming years, to cater for the mass market consisting of low income earners. This was informed by the fact that currently, the bank was targeting middle and high-end retail market. Also from the interview it was viewed that of late the bank as adopted a competitive cost strategy with the upgrading of its core banking system from Igor version 2.0 to Igor version 2.2. The software is able to support many web based applications like mobile banking, internet banking, ATM virtual support and many more.

On who the bank collaborates with, the respondents mentioned Safaricom Limited, Nakumatt Limited, Airtel money, Western union, MoneyGram, Wari money transfer, Cellulant and NCR Ltd as the main collaborators. The nature of the all the above collaborations are a win-win for both parties as BOA offers services to its clients, on behalf of the other party at a commission and to the convenient of its clients. This is with the exception of NCR, who provides and maintains the ATM machines for BOA (K). On the same question of collaboration, the interviewees cited at total of 78 organizations in which BOA (K) have signed a memorandum of understanding (MOU) for purposes of partnering in business both at corporate level and individually for the case of the company's employees. An example was given for Total Kenya Limited where the employees of the Total are able to get car loans on joining the company and the company offers corporate guarantee to its employees for unsecured loans. Also, the employees of BOA (K) are able

to buy Total Kenya products at subsidized rates, and payable every end month. This is both beneficial to the bank as it is able to earn monthly interest and also to the companies as their employees get unsecured loans faster and at negotiated interest rates.

The respondents cited that in the past 3 years, BOA (K) has opened a total of 14 branches, bringing to a total of 34 branches as at 30th August 2014. According to the respondents, the bank plans to open 4 more branches in the year 2014. The bank's management believes that one of the ways to succeed in the retail market is by expanding their outreach to the retail consumers. This has been tested and proofed to be working by other players like players in the same market like Equity and KCB banks. In future, the bank plans to open more branches in the country, so as to have a foot-print in all major cities and towns in the country.

While addressing the question of how often BOA review its strategies, all respondents agreed that the bank operates on a 3-year strategic plan, whereby a review is made after the 3 years. Currently, the bank is operating on the 'year 2013-2015 strategic plan'. The strategic plan's implementation and operationalization is the responsibility of the executive committee, commonly known as EXCO. The committee meets every week to review the implementation and operationalization of the strategy and is composed of the senior managers and heads of departments. Locally, the executive committee (EXCO) meets every fortnight where every head of department tables a report on the implementation and the results. In this forum, the industry analysis and any new developments are also discussed to ensure that the bank is on the right track in implementing the strategic plan.

On the question of if the bank compete head on for market share in the banking industry, all respondents agreed that the bank was aggressive in its marketing. They cited the recent advertisements done by the bank including print media in the local dailies, billboards, Web banner BOA (K) website, email signature advertisements, Digital advertising at on our various screens, and advertising on social media, bulk sms's to customers and Leaflets in customers statements at the end of the month. The respondents believed that the advertisements have promoted the BOA's brand and image, making it known to many clients than it was known before.

BOA's main competitors were cited to be Chase bank Kenya limited, Prime bank, Bank of Baroda, Imperial bank, I & M bank and Eco Bank. This was based on the fact that the competitors are the peer banks and in the same tier. The nature of comparison with the main competitors was no deposits market share, where I & M bank, Chase bank and Bank of Baroda were ahead of BOA (K). On loans and advances market share, I & M bank and Chase bank topped the list while BOA (K) was the third one. On net profit market share, I & M bank was the first, followed by Prime bank and then BOA (K), while on total assets market share, Chase bank was the first, followed by BOA (K), then I & M bank. It was observed that on the above rankings, Eco bank and Imperial were below BOA (K).

On the nature of competition that BOA faces, most of the responses indicated that there was solid competition on market share, competitive rates, and total cost of credit, loan facilities process, turnaround time, products differentiation and general pricing of service. To a small extent, personal & business accounts, and cost of opening new branches created

less competitive environment to BOA. This indicated that most participants in the banking industry compete more on market shares and giving relatively lower interest rates to their clients.

On the issue of specific strategies put in place by BOA to withstand competition the respondents cited three major strategies are used by BOA to withstand competition and these are pricing strategy, expansion strategy, products innovation strategy, seconded by excellent customer services, Upgrade of their core banking system, and introduction of the cheapest public sector loans compared to all other banks, at 16%. On the other hand aggressive advertisements, collaboration and partnerships, Corporate Social Responsibility (CSR), low interest rates, and focused market are less applied in withstanding competition from BOA's main competitors. Also, BOA enjoys more of its wide area network coverage within the BOA Groupe all around Africa, as well as being innovative by coming up with unique products and services like One month loan re-payment holiday per calendar year, among others. Excellent customer service enabled the bank to retain their customers.

The question on how strategies have contributed towards achieving competitive advantage was elicited with almost similar sentiments but stated differently by the respondents. Most of the responses indicated that these strategies had increased their chances of achieving more customers; the strategies also enabled BOA to gain regional presence cross Africa as well as improving their services through these strategies. Customer consistence deposits, creation of strong IT platform services, unique products and low costs were among the benefits that BOA had gained through these strategies.

On the question of other products/ services offered by BOA, the respondents cited Pack accounts which are a combination of a current account and a free savings account or an ambition savings plan to encourage its clients to save regularly. Another unique product was a loan-holiday for clients (which is optional) per calendar year, thus offering clients to forfeit payment of loans the month when their spending's are relatively high for example December or January. Other products/services included custodial services, Mkopo Poa, which is a partnership with Nakumatt where clients buy goods at credit financed by BOA (K). They also offer Chama clinics to their Chama customers on a quarterly basis and Kids fun day every time the schools are on holiday.

When asked how often BOA (K) introduces new products into the market, the respondents cited that the set standard is for products to be reviewed half yearly. All new products must be approved by the bank's groupe head office in Benin, before they are launched. However, with the change of strategy to focus retail market, there has been a lot of change on the products offering, in a way to streamline the products of BOA Groupe across all the countries in Africa where BOA Groupe have branches. The respondents mentioned a number of new products in BOA (K) which included my business pack that targets small scale businesses operating in the informal sector (micro), ambitions savings plan, employee pack targeting employees of private or public sector, public sector pack targeting civil servants working in the public sector, school fees loan for employed and retired persons with a basic pay, mobile banking and online banking for both individual and corporate clients.

Other newly introduced products were said to be public sector loans both long term and short term, custodial services, Banc assurance services, Soma loan and check offs. In the same spirit of products standardization, some products were dropped or discontinued from being on offer. However, in the interest of consumer protection, the clients who were already using the service were assured to continue enjoying the same benefits and features of the projects. Those products included Jipange account, BOA Access account and Salary accounts. One of the respondents was quoted saying;

“Soma loan helps you relieve the stress of paying school fees and also offers you the lowest loan interest rate, keeping you on track for your bigger dreams. The loan can be used to finance all levels of education up to the university, both locally and overseas.”

On the question of to what extent the products and BOA (K) brand name is known to the market, majority of the respondents agreed that in the recent past, BOA (K) products and brand name were not well known to the mass market, but was well known to the medium and high end market segments. The respondents also agreed that with the recent advertisements since February 2014, the brand name popularity has greatly improved. They suggested that more awareness should continue in terms of promotions, advertisements, sponsorships, corporate social responsibility and opening of more branches with products suitable for the mass market.

On the question of modes of advertising used by the bank use to create awareness, the respondents cited various channels including print media in the local dailies, billboards, Web banner BOA (K) website, email signature advertisements, Digital advertising at on

our various screens, and advertising on social media, bulk sms's to customers and Leaflets in customers statements at the end of the month. The respondents believed that the advertisements have promoted the BOA (K)'s brand and image, making it known to many clients than it was known before.

When asked to compare products pricing to those competitors, the respondents noted that BOA (K) was using pricing as strategy to penetrate in the retail market. In the public sector loans, BOA (K)'s interest rates were the lowest at 16% per annum compared to all other commercial banks in Kenya. Also the facility fees and processing fees were found to be either lower than, or equal to the other banks offering retail products. On the account ledger fees, majority of the interviewees felt that the BOA (K)'s accounts were not very competitive as compared other banks in the retail banking like Equity bank, who do not charge any ledger fees. The reason for this was that BOA (K), as per its current strategy, was not targeting the mass market, rather it was targeting medium and high-end retail market. The respondents noted that the target market for retail clients was for those earning a net salary of kes 25,000 and above.

On the question of processes review, the respondents agreed that the bank reviews its processes and procedures on a quarterly basis, and on a need basis. This is to ensure changes in terms of risk, regulations and the general environment are addressed in good time. The organizational excellence department in conjunction with risk and compliance department are responsible for drafting and operationalizing new processes and procedures while also reviewing and updating the existing ones.

Finally, on the question of how different BOA (K)'s products are different from those of competitors and the unique features, the respondents noted that BOA (K)'s products, especially the newly introduced ones were designed incorporating innovation and the ever changing customer's needs. One of the unique product in the market is the e-chama, where members of a welfare group's account, commonly referred to as a 'chama', are linked to their bank account via their mobile phones for purposes of getting alerts on account activities, accessing balances and borrowing and/or approving loans among members. All these features are at the palm of the client's hands thus creating convenience. A member will request via phone for a loan from the chama account, signatories of the account will approve via their phones and the applicant will receive the funds requested on his M-pesa account.

Other unique products were noted to be the one month's loan- holiday, whereby a customer is given the option of forfeiting loan repayments by one month for a 12 month's calendar year. Thus the client will pay his loan for 11 months per year, and use the 1 month's repayments for other use. The client is given the option to choose the month of choice, depending on his budget. Also the Pack accounts were also cited to be unique in the market because they can offer salaried clients automatic salary advances on a pre-set day of every month. They also offer free Cheque books, 5 free ATM withdrawals per month, free mobile banking alerts and free internet banking but limited to viewing only. Mkopo Poa loan was also mentioned as a unique product where clients can purchase items at Nakumatt stores, and have the same financed by BOA (K).

4.5 Discussion

For organization's to remain competitive, they need the concept of strategic conflict model. This theory views competition as a war between rival firms. According to Schelling (1963), conflict is inevitable and one has to study the behavior that is associated with any form of conflict and behavior of rival firms. Burnes (2009) views that a firm can achieve competitive edge and more returns by influencing the Behavior and actions of its rivals and thus, manipulate the market environment. In this reference, BOA (K)'s management we seen to understand the conflicting situations brought about by competition. Infact, they have launched products with unique features and discontinued products with almost same features as the competition so as to beat the competition. This move is also relevant in the Game theory. It is a competitive process whereby the firm seeks to determine the rival's most likely counter strategy to their own's strategies and thus formulates appropriate defensive measures (Camerer, 2001).Porter (1985) argues that firms create competitive advantage by conceiving new ways to deliver superior value to customers.

According to Chaharbaghi and Lynch (1999) the existing resources of a firm may not be adequate to facilitate the future market requirements, due to the volatility of the contemporary markets. There is vital need therefore to modify and develop resources in order to encounter the future market competition. Resources that an organization holds will greatly determine and impact on how it will be able to compete effectively. An organization should exploit business opportunities using the present resources while developing a new set of resources to sustain its competitiveness in the future market environments; hence, an organization should be engaged in resources management and resource development. This

is a concept that BOA (K) have adopted by coming up with new and unique products suitable for its target market. It has also applied innovation strategy by upgrading its core banking system. BOA (K) is also in its advanced stages of acquiring its own head office in Nairobi.

According to Mintzberg et al (1999) theory that differentiation is a strategy for gaining competitive advantage, where an organization distinguishes itself in competitive market by differentiating its products/services to make them unique from those of its competitors . The research findings were consistent with the literature of Thompson et al. (2008) which points out that a differentiator's basis for competitive advantage is either a product/service offering whose attributes differ significantly from the offering of rivals or a set of capabilities for delivering customers value that rivals don't have. BOA (K) have in the recent past differentiated most of its products offering to the retail market to make them more appealing and highly competitive.

In comparison with other empirical studies, the banking industry has witnessed a growing number of players competing head-on. Thus to remain competitive, they have to formulate and implement strategies that will enable them attract and retain customers. Players in this sector have experienced increased competition over the last few years resulting from increased innovations and new entrants into the market. This has forced the existing commercial banks to use varying competitive strategies depending on whether they want to defend the existing markets or to enter into new ones. Thompson, Gamble and Strickland (2006) stipulates that while core competences and competitive capabilities are a major asset

in executing a strategy, they are equally important avenue for securing a competitive edge over rivals in situations where it is relatively easy for rivals to copy smart strategies. Porter (1985) outlines three approaches to competitive advantage and these are cost leadership, differentiation and focus.

Achoki (2013) in his study of competitive strategies adopted by bank of India, Kenya concluded that the bank used and emphasized on the application of focus/market niche strategy to a large extent. He also pointed out that the bank also uses to some extent differentiation, cost leadership and market penetration strategies to compliment the focus strategy. In conclusion, the finding showed that Bank of India, Kenya has been able to blend the mix of Porter' generic strategies and Ansoff growth strategies. These findings are consistent with the findings of this study which has proved that combination of Michael Porter' generic strategies and Ansoff's growth matrix strategies results to value addition to the business and greater success.

The research findings were also consistent with the findings of Onyoro (2011) that low cost leadership strategy was moderately used by multinational Commercial banks with significant variations in its adoption. The research found out that BOA (K) used cost leadership especially in loan interest rates for public sector employees. Focus and differentiation strategies were also employed by BOA (K) and the combination of these strategies gave it a competitive edge in the market.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the data summary of key findings, conclusions and recommendations of the study base on the findings. The chapter incorporates the various suggestions and comments given by the respondents in the interview. Findings have been summarized alongside the objective of the study, conclusions have been drawn from the study and the recommendations for action are also given. This chapter covers Introduction, summary of findings, conclusion, recommendations, limitations of the study and suggestions for further study.

5.2 Summary of Findings

The summary was drawn from the results and findings of the study. It is based on the objective of the research which looked at the competitive strategies adopted by bank of Africa Kenya limited in retail banking. Strategies are crucial for every business for it to survive the current economic turbulent and environmental challenges. The study revealed that Bank of Africa, Kenya faces stiff competition from both local competitors and international competitors. The competitive strategies studied included Cost leadership strategy, Differentiation strategy, Focus strategy, Resource based strategy and Collaborative strategy.

The study established that BOA (K) extensively used cost leadership strategy to its advantage. Loan products are offered at lower interest rates compared to other banks, and

this has helped the bank to attract large number of retail borrower from both public and private sector. Infact, public sector loans for BOA (K) are currently the cheapest at 16% per annum. Also the facility fees and processing fees were found to be either lower than, or equal to the other banks offering retail products. A sample of the charge sheets of competitors revealed that BOA (K) prices of ledger fees on account maintenance and commissions were relatively cheap than those of the competitors.

The study established that BOA (K) extensively used differentiation strategy as they are flexible in offering of their services and also gives personalized services to their clients. The researcher noted that BOA (K)'s products, especially the newly introduced ones were designed incorporating innovation and the ever changing customer's needs. One of the unique product in the market is the e-chama, where members of a welfare group's account, commonly referred to as a 'chama', are linked to their bank account via their mobile phones for purposes of getting alerts on account activities, accessing balances and borrowing and/or approving loans among members. Other differentiated products / services included one month's loan- holiday, whereby a customer is given the option of forfeiting loan repayments by one month for a 12 month's calendar year and Mkopo Poa loan where clients can purchase items at Nakumatt stores, and have the same financed by BOA (K). Also the Pack accounts were also cited to be unique in the market because they can offer salaried clients automatic salary advances on a pre-set day of every month.

The researcher revealed that focus as a competitive strategy was of less significance to BOA (K). This is because as much as the bank focused on the retail market, it was not the

only bank in that market sector. Infact, other big banks like Equity bank, Co-operative bank, Family bank and Barclays bank were also offering the same services and products. The bank's management believes that one of the ways to succeed in the retail market is by expanding their outreach to the retail consumers. It was also revealed that the bank did not focus on only the retail market, it had diversified into corporate and SME's market to maintain a market share.

It was noted that Resource based strategy and Collaborative strategy were extensively used by BOA (K) for competitive advantage. The respondents mentioned Safaricom Limited, Nakumatt Limited, Airtel money, Western union, MoneyGram, Wari money transfer, Cellulant and NCR Ltd as the main collaborators. Additionally NCR, Total Kenya, Zuku and various hotels around the country are the other collaborators. The study cited a total of 78 organizations in which BOA (K) have signed a memorandum of understanding (MOU) for purposes of partnering in business both at corporate level and individually for the case of the company's employees.

5.3 Conclusion

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. Porter (1998) argues that an effective competitive strategy takes offensive or defensive action in order to create a defensible position against the five competitive forces and thereby yield a superior return on investment. However, from the study it can be concluded that, Bank of Africa, Kenya has

used both offensive and defensive strategies to counter its competitors. It has used cost leadership as a tool to gain entry in the public sector lending by offering the lowest interest rates to the civil servants and parastatal employees than the other banks. It has also been noted that the extensive use of differentiation has given BOA (K) a competitive edge due to the uniqueness of the products and services.

The study also established that Collaborative strategy has been well employed by the bank. Partnerships with various institutions have increased brand image of the bank as well as its competitiveness. The results have been a win-win for the bank, its clients and the staffs in general. Resource based strategy has not been very effectively used as it poses a challenge as well as an opportunity to the bank's management.

In conclusion, the findings showed Bank of Africa, Kenya has been successful in blending the mix of Generic strategies and Ansoff growth strategies. The combination of the two sets of strategies was shown to be beneficial as the strategies complement each other. The results of this study tally with the findings of Gathoga (2001) that the commercial banks are in competition and their products and services differential is quite thin hence need for restructuring. The study also revealed that a number of strategic marketing variables are manipulated by banks to respond to a competitive intensity in the banking sector.

5.4 Recommendations for Policy and Practice

Several recommendations were made after carrying out the study on competitive strategies adopted by bank of Africa Kenya limited in retail banking. The researcher recommends to the management of BOA (K) that they should enhance the use of focus strategy in their

products/services offering. The bank should focus on both high-end and low-end retail clients for its success. Currently, it is only targeting retail clients earning kes 25,000 and above, whereas in reality majority of retail clients are earning even as low as kes 10,000 per month. Majority of major banks that have succeeded in the retail market are banking the low-end customers and even customizing products for them like accounts with zero ledger fees. This is what BOA (K) is recommended to adopt.

The study also recommends that the bank should invest heavily in ICT infrastructure and regularly review and update the infrastructure to ensure they are using the most efficient technologies in the market to gain and sustain competitive edge. BOA (K) should link its core banking system with all the other subsidiaries within the group network. This will give it a competitive edge since its customers will be able to access their funds at any Bank of Africa's subsidiary across Africa. Also the current core banking system should be upgraded to ensure it can support more transactions and also integration with other support systems.

Finally the collaboration strategy being used by BOA should be further enhanced so as to strengthen relationships with the partners. This will promote competitiveness and further awareness to the brand image of BOA, and also ensure that all the stakeholders' interests are taken care of. The study also recommends that the bank should continue on its branch expansion strategy. Wide branch network will give it competitive edge due to convenience and proximity to its clients. It needs to open more branches in the major towns across the country to increase its presence.

5.5 Limitations of the Study

The researcher did a case study limited to Bank of Africa, Kenya and as a result, the findings cannot be used to make generalizations on the banking industry in Kenya and neither can it be generalized to other BOA's subsidiaries since they operate in different countries with different environments. It is difficult to summarize case studies into general propositions and theories.

The researcher faced limitations especially in securing an appointment for an interview with the respondents. Given the fact that the respondents were all senior managers, with a very busy schedule, most interviews were conducted after working hours. The researcher was unable to secure an interview with the Managing Director as he resigned from the organization before the scheduled interview and his replacement took longer than expected.

Also, most respondents were very cautious in releasing strategic information which they deemed very sensitive. They were therefore giving limited responses in a view of protecting the privacy of their business. The fact that some of strategic decisions, processes and products are made from the group's head office with only recommendation from Kenya, some of the respondents interviewed were unable to extensively answer some questions especially regarding new products to be launched and the future of the bank.

5.6 Suggestion for Further Research

This study should be replicated in many other organizations in the country and also in BOA group network so as to compare and to assess the extent to which these competitive

strategies are effective to the industry as a whole. A similar study can be done in other banks or the Kenya Banking industry to establish if the findings will be similar. The researcher suggests a study to be done on several or all banks in Kenya to arrive at a generalization

Further studies should be done on the results of this study so as to enrich the existing knowledge on the competitive strategies. Also a research on other variables affecting firms other than competitiveness should be done to determine their effect on the firm's growth. The study should be extended to establish the strategies employed to build competitive advantage in other related sectors in the industry such as the microfinance institutions. Research should also be undertaken to determine what strategies other companies in different related industries use to build competitive advantage.

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APPENDICES

Appendix 1: Letter of Introduction

Dear Interviewee,

My name is John Githinji Maina, a Master of Business Administration (MBA) student at the University of Nairobi conducting research on the competitive strategies adopted by bank of Africa Kenya limited in retail banking. Due to the nature of your work, you have been selected to form part of the study In order to help me undertake the research.

This letter therefore is to request your assistance in responding to the interview guide. The study will in no way expose or disclose the bank's strategic information and the internal procedures and practices, but will purposely be for academic purposes.

Your assistance and cooperation in this exercise will be highly appreciated.

Yours Faithfully,

A handwritten signature in black ink, appearing to read 'John Maina', is written over a light blue horizontal line. The signature is stylized and somewhat cursive.

John Maina.

Appendix 2: Interview Guide

The interview guide will act as a plan to seek information on the competitive strategies adopted by bank of Africa Kenya limited in retail banking. All the information you give will be treated as confidential and for academic purposes only.

SECTION A: Background of interviewees and BOA

1. How long have you worked with Bank of Africa?
2. Which other positions have you held in BOA prior to your current position?
3. Does your role involve Strategy formulation?
4. How is BOA owned?
5. How long has it been in operation?
6. What services and products does BOA offer?

SECTION B: Competitive Strategies

1. Has BOA adopted any formal strategies for achieving its objectives?
2. Who is responsible for implementation of such strategies?
3. Do you think such strategies are geared towards earning competitive advantage?
4. With whom does the bank collaborate with in the banking industry?
5. What is the nature of the collaboration?
6. Over the past 3 years how many branches has BOA opened in Kenya?
7. How often does BOA review its strategy?
8. Does the bank compete head on for market share in the banking industry?
9. Who are the BOA's main competitors?
10. What is the nature of competition that BOA faces?

11. What specific strategies has the bank put in place to withstand such competition?
12. How have the strategies contributed towards achieving competitive advantage
13. Other than the common banking services, which other products/ services does BOA provide?
14. How often do you introduce new products into the market?
15. To what extent can you say your products and BOA brand name is known to the market?
16. Which mode(s) of advertising does the bank use to create awareness?
17. How would you compare your product pricing to those of your competitors?
18. Is product pricing a source of competitive advantage? Please explain how.
19. How often do you review processes, in terms of elimination unnecessary processes and adding value to your product/service?
20. How different are your products from that of your competitors? What are the unique features that differentiate your products from those of your competitors?

Appendix 3: University's Introduction Letter



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE.....

TO WHOM IT MAY CONCERN

The bearer of this letter Sithi Githari Muriu
Registration No. 061/64583/2013

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix 4: Bank of Africa Group Network and Subsidiaries

BANKING NETWORK*

1983 BANK OF AFRICA – MALI

15 Branches and 1 Business Centre in Bamako.
10 Regional Branches and 20 Local Branches.

1990 BANK OF AFRICA – BENIN

22 Branches, 1 Business Centre and 2 Port Branches in Cotonou.
21 Regional Branches.

1994 BANK OF AFRICA – NIGER

Created in 1989: NIGERIAN INTERNATIONAL BANK (NIB). Integrated into BOA network in 1994.
11 Branches in Niamey.
8 Regional Branches.

1996 BANK OF AFRICA – CÔTE D'IVOIRE

Created in 1980: BANAFRIQUE.
Integrated into BOA network in 1996.
14 Branches and 1 Business Centre in Abidjan.
8 Regional Branches and 1 Local Branch.

1998 BANK OF AFRICA – BURKINA FASO

17 Branches and 1 Business Centre in Ouagadougou.
14 Regional Branches.

1999 BANK OF AFRICA – MADAGASCAR

Created in 1989: BANKIN'NY TANTSAHA MPAMOKATRA (BTM) / National Bank for Rural Development.
Integrated into BOA network in 1999.
21 Branches and 1 Business Centre in Antananarivo.
59 Regional Branches.

2001 BANK OF AFRICA – SENEGAL

18 Branches and 1 Business Centre and 1 WU Counter in Dakar.
10 Regional Branches and 1 regional WU Counter.

2004 BANQUE DE L'HABITAT DU BENIN

2 Branches in Cotonou.

2004 BANK OF AFRICA – KENYA

Created in 1981: BANQUE INDOSUEZ Kenyan Branch > CREDIT AGRICOLE-INDOSUEZ > CALYON.
Incorporated under Kenyan law, integrated as a subsidiary into BOA network in 2004.

15 Branches and 1 Business Centre in Nairobi.
15 Regional Branches, 1 Business Centre in Mombasa.

2006 BANK OF AFRICA – UGANDA

Created in 1985: SEMBULE INVESTMENT BANK Ltd > ALLIED BANK. Integrated into BOA network in 2006.

20 Branches in Kampala.
13 Regional Branches.

2007 BANK OF AFRICA – TANZANIA

Created in 1995: EURAFRICAN BANK – TANZANIA Ltd (EBT). Integrated into BOA network in 2007.

10 Branches in Dar es Salaam.
9 Regional Branches.

2008 BANQUE DE CREDIT DE BUJUMBURA

Created in 1909 in Brussels: BANQUE DU CONGO BELGE (BCB). 1922: BCB Branch in Usumbura, Burundi.
25 July 1964: BANQUE DE CREDIT DE BUJUMBURA (BCB). Integrated into BOA network in 2008.

8 Branches, 1 Business Centre and 5 Counters, in Bujumbura.
12 Branches and 1 Counter in Provinces.

2010 BANK OF AFRICA – RDC

7 Branches in Kinshasa.
1 Regional Branch.

2010 BANK OF AFRICA – MER ROUGE

Created in 1908: BANQUE INDOSUEZ MER ROUGE (BIRM). Integrated into BOA network in 2011.

4 Branches and 1 Counter in Djibouti.
1 Representative Office in Addis Abeba in Ethiopia.

2011 BANK OF AFRICA – GHANA

Created in 1999: AMALBANK.
Integrated into BOA network in 2011.

14 Branches and 1 Business Centre in Accra.
5 Regional Branches.

2013 BANK OF AFRICA – TOGO

3 Branches in Lomé.

(Source: Bank of Africa Kenya Website, 2014)
<http://www.boakenya.com/>

Appendix 5: Banking Products & Services of BOA (K)




BANKING PRODUCTS & SERVICES OF BOA-KENYA

ACCOUNTS

- Access Account
- Current Account
- Goodwill Account
- Salary Account
- Personal Current Account
- Wakili Current Account
- Elite Account
- Mwanariadha Account

INVESTMENT PRODUCTS

- Ambitions Savings Plan 'Taraja'
- Call Deposits Account
- Chama Account
- Children Savings Account
- Fixed Deposit Account
- Ordinary Savings Account
- Student Account

ELECTRONIC BANKING

- B-Web
- SESAME ATM Card
- VISA LIBRA Card - Classic
- VISA PROXIMA Card - Electron
- VISA Prepaid TOUCAN Card

MOBILE FINANCIAL SERVICES

- B-Mobile
- B-Web Smart
- M-Pesa

PACKS

- EMPLOYEE Pack 'Jisari Account'
- MY BUSINESS Pack 'Inuka Account'
- PUBLIC SERVICE Pack 'Hudumia Salary Pack'

LOANS

- Mortgage Finance
- Personal Loan
- Personal Motor Loan
- Salary Advance
- Schools Fees Loan 'Sama Loan'

TRANSFERS & CHANGES

- Foreign Exchange
- Moneygram
- Western Union

COMPLEMENTARY PRODUCTS & SERVICES

- Banker's Cheques
- Utility Bill Payments
- Custodial Services

COMPANY SERVICES

BOA-KENYA thus offers a wide range of products and services to the attention of Corporates and SMEs, organizations, institutions and professionals.

(Source: Bank of Africa Kenya Staff Handbook, 2014)

Appendix 6: Report of the Directors

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2013 in accordance with Section 157 of the Kenyan Companies Act, which disclose the state of affairs of BANK OF AFRICA – KENYA Limited (the “Bank” or “Company”) and its subsidiary (together the “Group”).

PRINCIPAL ACTIVITIES

The Group is engaged in the business of banking and the provision of related services and is licenced under the Banking Act.

RESULTS AND DIVIDEND

Profit for the year of Shs 436 million (2012: Shs 703 million) has been added to retained earnings. The Directors recommend the approval of a final dividend of Shs 528,979,000 (2012: Shs 236,872,000).

DIRECTORS

The Directors who held office during the year and to the date of this report were:

Ambassador Dennis AWORI	Chairman
Kwame AHADZI	Managing Director
Anis KADDOURI	Deputy Managing Director (Appointed 16 th September 2013)
Jean-Geo PASTOURET	Deputy Managing Director (Deceased 30 th September 2013)
Mohamed BENNANI	
Alexandre RANDRIANASOLO	
Vincent de BROUWER	
Bernardus A.M. ZWINKELS	
Abdelkadir BENNANI	
Susan KASINGA	Appointed 6 th August 2013
Eunice MBOGO	Appointed 3 rd September 2013
Dr. Monica J. KERRETTIS-MAKAU	Appointed 11 th September 2013
Davinder Singh SIKAND (Alternate Director: Shakir MERAU)	Resigned 15 th February 2013

AUDITOR

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with Section 159(2) of the Companies Act and Section 24(1) of the Banking Act.

BY ORDER OF THE BOARD

Anne GITAU

Secretary

(Source: Bank of Africa Kenya's Strategic Plan Document 2013)