STRATEGIES EMPLOYED BY IMPERIAL BANK LTD TO DEVELOP COMPETITIVE ADVANTAGE IN THE BANKING SECTOR

RACHAEL KIKENUA KETEKO

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DECLARATION

This research project is my original work and has not been presented for examination in any other university.

Signature: ___________________                   Date: ___________________

RACHAEL KETEKO

REG NO: D61/67506/2011

This research project has been submitted for examination with my approval as university supervisor

Signature: ___________________                   Date: ___________________

PROFESSOR EVANS AOSA

School of Business

University of Nairobi.
DEDICATION

I dedicate this research project to my son Ryan Mayiani, my parents Mr and Mrs Keteko, my sisters Lilian, Rhodah and family members for their love, support, patience, encouragement and understanding. They gave me the will and determination to complete my masters.

I have been deeply humbled by the faculty of Business Administration at the University of Nairobi for knowledge acquired and the support accorded to me during my studies at the university.
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Abstract

Competitive advantage is a position that a firm occupies against its competitors. Sources of competitive advantages include government subsidy or support, monopolistic markets, innovation, operational efficiencies, superior service offering and highly skilled human capital. Banks are competing with mobile phone operators’ money transfer services like Safaricom's (M-Pesa) and Zain's (Zap). Competition is likely to intensify in the banking industry in the background of a shrinking economy. Past studies have illustrated the power of competitive strategies on companies operating in a competitive environment. However, there still exists dearth literature, especially one that has in-depth evaluated the competitive advantage of Imperial Bank Kenya. The specific objectives of this study are; to determine the strategies used by Imperial Bank to respond to competition in the Kenyan banking industry and the challenges the bank is facing on the implementation of these strategies. The theories that underline this current study are; strategic leadership, scientific management theory and competitive theory. Case study research design was used given that the unit of analysis is based on one organization. Primary data was used in the study by use of an interview guide. Content analysis was used to make analysis of the qualitative data. The most notable competitive strategies adopted by Imperial Bank Kenya include diversification, good corporate governance, new products and services, products and services differentiation, market segmentation, acquisition, branch network expansion, automation of business processes, innovation, improved customer service, strategic partnerships, marketing and staff training. The challenges in implementation of these competitive strategies include lack of coordination and support from other levels of management, employee resistance to change and lack of proper planning in formulation and implementation of strategies. The study concluded that the bank embraces; financial, growth, product differentiation, strategic partnership, ICT, marketing and human resources strategies to gain competitive advantage. The study also concluded that banks face challenges of lack of adequate resources to implement desired strategies, there are internal politics hindering strategy implementation and that lower level staffs are not involved in policy formulation hence difficulty in implementation in the bank. The study recommends that Imperial bank should quickly adopt agency banking in order to increase their branch network and that organizations building on competitive advantage should create higher level of involvement of members; that is managers and employees in the organization. The research did not entirely look at the challenges faced in implementation of these competitive strategies thus a limitation. Further, the study did not look at other competitive variables in depth such as human resource strategies and ICT strategies in achievement of competitive advantage. The study recommends future studies to touch other competitive strategic responses adopted by Imperial Bank, further, analysis of the functions of managers in achievement of competitive advantage and competition strategies among banks/financial institution is an area that can be explored.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Competition continues to affect banks in Kenya and other countries. Kenyan banks have had to develop strategies to respond to competition, to safeguard their niches and to enlarge their market share, thus gaining a competitive advantage. Competitive advantage is a position that a firm occupies against its competitors. Sources of competitive advantages include government subsidies or support, monopolistic markets, innovation, operational efficiencies, superior service offering and highly skilled human capital (Vives, 2010). Porter (2008) notes that companies which understand that competition extends well beyond rivals in existence will detect wider competitive threats and be better equipped to address them.

Competition has always been contentious in banking. Regulators have traditionally tried to restrict competition in the sector with the aim of restricting excessive risk taking. According to Kariuki (2011) banks like Cooperative Bank, Ecobank, Family and Cooperative have adopted expansion strategy and are opening more branches. Other banks like Cooperative Bank, Diamond Trust and NIC Bank have resorted to regional expansion. Additionally, Cooperative Bank, Family Bank, ABC Bank has broadened its product offering with an aim of transforming themselves to financial supermarkets.
Imperial bank for instance, forces like globalization, liberalization and technology have led to the bank’s competition in the industry (Vives, 2010). The bank is as well competing with mobile phone operators’ money transfer services like Safaricom's (M-Pesa) and Zain's (Zap). The bank’s competition extends beyond the banking industry to cover competitors like government financial institutions, merry go rounds, and micro finance institutions. The bank is currently involved in several campaigns that set it out to a competitive edge. These campaigns include; customer promotion which involves awarding customers with incentives based on their mobile banking usage, mobile banking and the product campaign where the bank markets their products in the regional and local areas.

1.1.1 Concept of Strategy

Strategy, according to Hill and Jones (2001) is an action that a company takes to attain one or more of its goals. More precisely, it is the action that an organization takes to attain superior performance. Pearce and Robison (2010) have recommended three critical ingredients for the success of strategy. These strategies must be consistent with conditions in the competitive environment, it must take advantage of existing and emerging opportunities and minimize the impact of major threats, and strategy must place realistic requirement on the firm’s resources (Ndung’u, Machuki & Murerwa, 2014).

The principal concern of an organization strategy is identifying the business areas in which an organization should participate in to maximize its long run profitability. Strategic management is concerned with how firms generate and sustain competitive
advantage in order to generate superior profit (Capon, 2008). In developing a strategy, firms undertake three sets of activities: strategic analysis, strategic choice and strategic implementation. Typically, businesses are reported to assess their strategic position by; scanning the environment for potential market opportunities and threats then evaluating their strategic capability and, assessing the enablers and constraints of strategy. Firms differ in how they undertake these activities. In large enterprises, strategic analysis, choice and implementation are often distinct activities, carried out by different people, whereas in small firms, a single person might perform all three, often at the same time (O’Gorman, 2006).

1.1.2 Competitive Advantage in Organizations

Through competitive advantage a firm is in a position to achieve superior performance Lusch, Vargo & O’Brien (2007). This can be achieved through generic strategies which are cost leadership, differentiation or focus. Cost leadership involves the achievement of the lowest unit cost base of the industry, whereas differentiation involves the ability to charge a premium price for offering some perceived added value to the customer. The focus strategy is the concentration within a narrow segment which will enable the organization to achieve either a cost advantage or differentiation (Ortega, 2010).

Competitive advantage is not a perpetual state as firms must work to sustain their advantages as the competition will play catch up. Competitive advantage is built upon set of conditions that are invalidated or reinforced as dynamics change in the environment. For instance, the strategies Ford used to compete with General Motors
(GM) were very different with the ones used by Toyota to dislodge GM its market leadership (Abishua, 2010).

The strategies that are likely to be in use by Imperial Bank to respond competition in the banking industry include; diversification, talent, ICT, marketing and financial strategies. Diversification strategies have involved the broadening of product offering range and the geographic diversification strategy pursued (Cheruiyot, 2013).

1.1.3 Strategy and Competitive advantage

Strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company.

This generalization was applied in US firms and can be applied amongst banks in Kenya. Owiye (2009) however, argues that findings of studies carried out in one culture could not be assumed to apply to other cultures unless that was supported by research. The environment, i.e. cultural context, in USA is very different from that of Kenya. This brings out among the many challenges that banks face in the implementation of strategies to help the banks derive competitive advantage.
1.1.4 Banking Industry in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and other various prudential guidelines issued by the CBK. The Companies Act, the Central Bank of Kenya (CBK) Act and the Banking Act are the main regulators and governors of the banking industry in Kenya. These Acts are used together with the prudential guidelines which Central Bank of Kenya issues from time to time. In 1995 the exchange controls were lifted after the liberalization of the banking in Kenya. Commercial banks are licensed and regulated under the Banking Act cap 488; deposits taking micro finance institutions are regulated under the Micro Finance Act and the forex bureaus under the Central Bank of Kenya Act cap 491 (CBK, 2011).

The banking sector comprised of 46 institutions, 44 of which are commercial banks, 2 mortgage finance companies and 1 licensed deposit taking microfinance institution. Out of the 46 institutions, 33 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise of 3 banks with public shareholding, 28 privately owned commercial banks and 2 mortgage finance companies (CBK, 2011). Kenyan banks have realized tremendous growth in the last five years and have expanded to the east African region. There has been increased competition from local banks as well as international banks, some of which are new players in the country (Angulu, 2007). The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges.
1.1.5 Imperial Bank Kenya

Imperial Bank Limited was established in 1992 as a Finance and Securities Company. In 1996, the bank commenced commercial banking services, following the issuance of a banking license by the Central Bank of Kenya (IBK, 2014). In January 2011, the bank, in partnership with Mukwano Group, a Ugandan business and manufacturing conglomerate, opened a subsidiary, Imperial Bank Uganda, with headquarters at 6 Hannington Road, on Nakasero Hill, in the center of Kampala's central business district (IBK, 2014).

The bank is a medium-sized retail bank that caters to both individuals and corporate clients. As of December 2013, the bank's total asset base was valued at about US$498 million (KES: 43 billion), with shareholders equity of approximately US$66.2 million (KES: 5.719 billion). At year 2013, Imperial Bank Limited was ranked the 19th largest Kenyan commercial bank, by assets, out of forty-three licensed banks in the country (IBKL, 2014).

In pursuit of achieving a competitive advantage, Imperial Bank has partnered with English Premier League football club Arsenal to market their co-branded debit cards in Kenya and Uganda. The two parties have entered into a three year partnership which will see Arsenal obtain closer contact with their fans in the region as well as send coaches to train young people on behalf of Imperial Bank. The company provides debit cards to millions of fans across East Africa. The bank is well-known
and trusted institution that puts its customers, communities and social responsibility at the heart of everything it does (Cheruiyot, 2013).

1.2 Research Problem

Competition is characterized by intense and rapid competitive moves, in which competitors move quickly to build advantages and erode the advantages of their rivals. Factors that have led to accelerated competition include knowledge sharing (franchise and outsourcing), brand convergence, quick niche copying (imitation), and high quality resulting from standardization, shrinking markets, and attraction of powerful new entrants to business segments with high returns (Thomas & D'Aveni, 2009). Kairu (2013) sought to examine the factors influencing sustainable competitive advantage among top 100 companies in Nairobi County. The researcher found that strategic alliance, customer relationship management and focus of market were significant in managing competitive advantage. Awino (2013) conducted a study on the role of strategic planning and competitive advantage of ICT Small and Medium Enterprises in Kenya. The test of hypothesis revealed that strategic planning has positive and significant influence on competitive advantage.

Banks in Kenya are competing for deposits, loans and advances. Competition is likely to intensify in the banking industry in the background of a shrinking economy. However, the industry’s low penetration level of 19% still provides opportunities for banks to exploit. The unpredictability of doing business and the complexity of procedures and regulations in many developing countries are perceived as major
barriers in maintaining a competitive advantage of a financial institution (OECD, 2011).

Abishua (2010) carried out a survey on the strategies used by equity bank to compete in the Kenyan banking industry. The researcher found that the bank has been able to create new markets in uncontested areas like hair salons, millet growing (for brewing) and dairy industry, so its competition strategies are heavily bent on using “blue ocean strategies. Mulaa (2004) examined the competitive strategies adopted by commercial banks in Nairobi. The researcher found that the major determinants of competitiveness were; offering variety of products, strategic location, offering of discounts and attracting customers through reasonable loan rates. In their research, Murerwa, Machuki and Ndungú (2014) provided recommendation on how commercial banks should remain competitive. The researchers advised that in order for banks to stay ahead of competition, it’s imperative for them to continually scan the environment so that the organizations adjust their strategic responses to accommodate the demands of the environment.

Past studies done, have illustrated the power of competitive strategies on companies operating in a competitive environment, however, there still exists dearth literature, especially one that has in-depth, evaluated the competitive advantage of Imperial Bank Kenya. This created a gap that sought to be addressed by the current study. What strategies does Imperial Bank use to respond to competition and achieve a competitive advantage?
1.3 Research Objectives

The objectives of these studies were;

i) To determine the strategies used by Imperial Bank to respond to competition in the Kenyan banking industry.

ii) To establish the challenges facing Imperial Bank in implementation of the competitive strategies.

1.4 Value of Study

This study will be important to the various users of this research information who will include government regulators, Imperial bank, other banks, investors and academia. Central bank of Kenya will benefit from the study as they will appreciate the role played by Imperial Bank to remain competitive. Further, CBK will also be able to evaluate the competitive strategies employed by the bank and access whether it is according to the CBK’s provision. Other banks or financial institutions may be interested by the findings of the study for purposes of adopting the successful competitive strategies in their own institutions.

This study will also be useful to investment bankers and investors as it will give them gainful insight on the Imperial Bank competitive edge. This research will be beneficial to Imperial Bank in that it will expose the gaps in its strategy, which if addressed in time will help it to deter competition. It will also identify the strategies it can leverage to sustain its competitive edge. This research will add to the existing body of knowledge in this area and stimulate further research on different aspects of response to competition in various industries.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the review of theories and some documented literature relevant to the current study whose focus is to find out the strategies employed by imperial bank to develop a competitive advantage. This chapter also looked at the strategies adopted in other companies for purposes of creating a competitive advantage.

2.2 Theoretical Foundation of Study

A theoretical framework is a collection of interrelated concepts. It guides research to determine what things to measure and what statistical relationships to look for (Defee, et. al., 2010). A good research should be grounded in theory (Mentzer et al., 2008). This study is guided by three theories; strategic leadership theory, scientific management theory and competitive advantage theory.

The theory of strategic leadership in Buuren (2008) journal, finds its roots from the evolution of management theory by Fredrick Taylor in years 1856 to 1915. The essence of strategic leadership involves the capacity to learn, the capacity to change and managerial wisdom (Boal & Hooijberg, 2001). This theory highlights the functions of a leader and how they manage crisis and maintain proper organizational structures, processes and culture for purposes of gaining competitive advantage. The effort of a leader is therefore very essential in the organization of human capital, financial resource, organization structure and process to achieve a competitive stand in the market.
Another theory that informs the study is the scientific management theory. The scientific management theory was developed by Taylor and Henry Fayol discussing the modern management approaches. Scientific Management approach analyses the human factor and his findings indicate that workers are demotivated, unproductive, lazy and have an inclination of less work (Celik & Dogan, 2011). This theory is relevant to the study as it aims at describing how managing human capital can increase productivity. Management of human capital may include; dealing with the form of works’ being done and work design more at a factory level. Fayol on the other hand explains on how to develop a good organization design and its management principles which is crucial factor in determining the competitive advantage.

Competitive theory which best informs the study was developed by Porter (1985) is derived from features that allow an organization to outdo its competitors, such as superior market position, competence or resources (Newbert, 2008). Competitive advantage strategies through maximization of resources in an organization are very important for companies with the objective of gaining a competitive advantage in the market. Thus, this theory supports the concept of this study as it argues that resources and its efficient management leads to companies gaining a competitive advantage position which is important for companies to achieve superior performance.
2.3 Competitive Strategies

Porter (2008) notes four competitive forces that can hurt profits: consumer power whereby customers can decide to purchase among competitors, powerful suppliers who may constrain your profits by charging high prices, aspiring entrants armed with new capacity and desire for market share, and substitute products that can lure customers away.

Porter (2008) states that defining the industry in which competition takes place is important for good industry analysis, not to mention for developing strategy and setting unit boundaries. To this end he notes that the firm must determine the product and geographical scope and identify the players and segment under the four segments listed above. The analysis should also assess the strength and weaknesses of these competitive forces. It is also crucial to understand the industry profitability and the recent.

Porter (2008) also states that “the five competitive forces reveal whether an industry is truly attractive, and they help investors anticipate positive and negative shifts in the industry structure. He also notes that this deeper thinking about competition is a more effective or superior method to achieve investment success than financial projections and trend extrapolation that dominates today’s investment analysis positive and negative developments in the industry.
A firm builds a competitive advantage when it creates or develops attribute/s or resources that enable it to outperform its competitors. Porter recommends that a firm should use one or a combination of generic strategies to compete. Porter (1998) notes that the three generic strategies used to compete at business unit level are cost leadership, differentiation and focus. Cost leadership enables a firm to deliver the same services as its competitors but at a lower cost. Differentiation advantage enables a firm to deliver superior products at the same price or lower price than its competitors. Imperial Bank has tried to brand and differentiate its products like co-branding their debit cards to suit arsenal football fans across East Africa.

Under the focus strategy a firm concentrates its marketing effort on a narrow market segment (market niche), aiming at achieving a local rather than industry wide competitive advantage. For instance, Porsche has concentrated on luxurious sports cars. However this strategy seems to have been modified as banks have redefined their markets to include insurance, investment banking and also established a corporate department in its structure to address the high end market (Davis, 2007).

2.4 Competitive Advantage

Owing to the globalization of markets, within the Kenyan perspective, technological advances and the changing needs and demands of consumers forced the nature of competitive paradigms to change continuously (Singh, et al., 2010). These changes drive firms to compete along different dimensions such as designing and developing new products, adopting smart approaches to manufacturing, implementing quick-to-market distribution, purchasing cutting-edge communication and developing
appropriate marketing strategies (Vargas & Rangel, 2007). As a result of such measures, banks are now exposed to the pressures from the competitive international business environment.

Kairu (2013) sought to examine the factors influencing sustainable competitive advantage among top 100 companies in Nairobi County. The study found that the major factors affecting sustainable competitive advantage, were their competition from competitors, increased number of new companies, strategic alliance, their capabilities, customer relationship management, cost of doing the business and focus in the market. Mulaa (2004) examined the competitive strategies adopted by leading SACCOs in Nairobi. The researcher found that the major determinants of competitiveness were; offering variety of products, ensuring high quality of products, offering of low interest rates and broad length of loan repayment.

Awino (2013) conducted a study on the role of strategic planning and competitive advantage of ICT Small and Medium Enterprises in Kenya. The key findings revealed that strategic planning has significant and positive influence in performance of SME’s. The test of hypothesis revealed that strategic planning has positive and significant influence on competitive advantage.

The study of O’Regan et al (2005) reveals that there is a relationship between ownership and the competitive performance of organizations in the United Kingdom. Oke, Burke and Myers (2007) find that majority of enterprises in the United Kingdom
focus on incremental innovation attain growth in sales turnover. Further, findings of Makhija (2009) show that process innovation and research and development have influence on the competitive advantage of small enterprises in Portugal.

In India, Dhanaraj and Beamish (2003) examined the performance of small and medium enterprises in the export sector and the results showed that the enterprise, technological intensity and firm size were predictors of export strategy, and export strategy also positively influenced the firm’s competitive advantage. The study of Bakarand Ahmad (2010) also showed that intangible resources of enterprises in Malaysia were significantly related to product innovation performance thus a gain of the competitive advantage of the company.

2.5 Empirical Review

According to Hax & Wilde II (2003) the three distinct strategic positions of a competitive advantage model include; best product, total customer solutions and system lock-in. Under the best product positioning, the primary focus is to attract, satisfy, and retain the customer through the inherent characteristics of the product itself. Total customer solutions aim at providing solutions that consist of a portfolio of customized products and services that represent a unique value proposition to individualized customers. System lock-in aims at creating a dependency the products by the market.
Treacy and Wiersema (2012) uses customer intimacy to explain the competitive strategies used by firms like Nike, Dell Computer, and Home Depot to successfully rise and grow to world class brands. They note that these businesses succeeded by redefining customers' value in their respective markets, building systems that delivered more value than competition and also by raising customer's expectation way beyond the reach of competition. According to them, these firms achieved leadership in their industries by narrowing their focus.

Elius (2012) aimed to consider how major international company Kentz Corporation is helping to overcome the shortage of skilled workers in the fast-growing South African construction and engineering industry by training people of its own. The study considers several training methods, both on- and off site, and looks at more innovative modes of training. It claims that companies can work with national governments to address skill shortages and can obtain competitive advantage and customer satisfaction as a result of investment and innovation in training initiatives. The study explains that, to date, the Kentz scheme has enjoyed success in South Africa in providing trades people at all levels in the national construction and engineering industry.

Abishua (2010) analyzed the strategies used by Equity Bank to compete in the Kenyan banking industry. The study found that Equity Bank uses the following strategies to respond to competition in the banking industry; product offering diversification, branch and regional expansion, relationship marketing, financing, customer-care, innovation, and information technology strategies. The study found
Equity Bank to be a very adaptive bank with a versatile reactionary mechanism to exploit any emerging gaps in the banking industry. The bank has been able to create new markets in uncontested areas like hair salons, millet growing (for brewing) and dairy industry, so its competition strategies are heavily bent on using “blue ocean strategies”. The study therefore concluded that Equity Bank has managed to build competitive advantages that can be exploited to sustain and further its growth.

Ndede (2010) carried out a study that explored the challenges faced by Barclays Bank of Kenya and the strategies it employs to achieve competitive advantage. The finding of the study was that Barclays Bank of Kenya employs differentiation strategy that aims at achieving competitive advantage by offering better products or services at the same price or enhancing margins by charging a premium price, often to reflect the higher production costs and extra value added features provided to the customers.

2.6 Chapter Summary

The chapter reviewed theoretical review relevant to the study which included strategic leadership theory, scientific management theory and competitive advantage theory. Further the chapter carried out empirical review on strategies that banks employ in order to gain competitive advantage. The literature shows that the bank uses different strategies that included: financial strategies, growth strategies, product differentiation, strategic partnership with other organizations, ICT strategies and marketing strategies which enables the banks to gain competitive advantage.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases followed in completing the study. The subsections included herein are; research design, data collection and data analysis.

3.2 Research Design

The best research design that suits the study was a case study research design. This design was more appropriate as it allows an in-depth survey of competitive strategies adopted by the bank and provides full analysis of a limited number of events or conditions. Case study is more also more appropriate as it records the information as it is, in the present without manipulating the variables.

This section set out the research methodology used in this study to meet its objectives of identifying the strategies being used by Imperial Bank to respond to its competition. According to Copper and Schindler (2006) a research design can be defined as the outline for the collection, measurement and analysis of the data. It is a plan and structure used to obtain answers to research questions.

3.3 Data Collection

Primary data was the main method of data collection. This included interviews which the researcher carried out with the relevant managers for objectivity. Additionally, the study used secondary data from published sources such as website, newspapers or published articles. The study carried out a census that is all heads of department
working in the Nairobi branch were involved in the data collection. Primary data was collected from two respondents in the managerial position, working in the selected departments; human resource department, marketing, finance/accounting, credit department, risk and fraud department.

Therefore, the total number of respondents expected for the study survey was 10. These respondents were considered appropriate for the study as they are part of the team that spearheads implementation and operation of the competitive strategies in the bank. Interview guide was self-administered and the same was drafted in line with the objectives of the study. The researcher received permission from the school and the management at Imperial Bank, prior carrying out the data collection.

3.4 Data Analysis

Data analysis is the entire process, which starts immediately after data collection and ends at the point of interpretation and processing data. The interview guides were checked for accuracy and completeness of recording of the responses. Given that an interview guide was used in this survey, content analysis techniques were used to analyze the data and present findings.

The data was analyzed to bring out specific issues about the strategies used to respond to competition. The content was then compared with the theoretical approaches and documentations cited in the literature review to check on consistency and reliability of collected data.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study whose main objective was to analyze strategies employed by imperial bank Ltd to develop competitive advantage. Primary data was obtained through the use of interview guide which was administered to top management at imperial bank Ltd. Secondary data was obtained from the company’s strategic plan and published reports, newspapers and published reports.

4.2 Competitive Strategies Employed by Imperial Bank

This section provides the discussion on the strategies adopted by Imperial Bank Kenya in order to remain competitive.

4.2.1 Financial Strategies

The researcher wanted to establish some of the competitive strategies employed by Imperial Bank Kenya. From the responses gathered in the field it was established that Imperial bank has responded to financial strength of its competition by inviting extra shareholders/investors at its various growth stages. In the initial periods the bank had relied on its founding shareholders, but it later opened up to outsiders. This strategy has given it funds that have helped it to grow faster in the banking industry.

It was revealed that the operating income for Imperial bank in year 2012 was Kshs. 3,955,203,000/- and 2013 it went up to Kshs. 5,203,288,000/- (IBK, 2013). These results imply that the financial strategies in the company such as interest rates on loans, government securities and deposits are done depending on the clientele and the
type of debt structure, in a way that increases the operating income and becomes profitable.

Moreover, it emerged that, review of the financial statements of the year showed that there is consistent dividend policy which attracts investors. Further, from the financial statements as at 31st December 2013, it was seen that the net comprehensive income for the bank was Ksh. 1,319,039,000 in year 2012 and later rose up to Ksh. 1,764,303,000 in year 2013 (IBK,2013). These results imply that the bank financial performance is impressive and that the profits are going higher by year. The company holds stocks that are privately owned. The shareholding by Imperial Bank includes; Imaran Investments Limited, Abdumal Investments Limited, Janco Investments Limited, Rex Motors Limited, Kenblest Limed, Momentum Holdings Limited, EA Motor Industries Limited, and Reynolds & Company.

The researcher also wanted to establish ways to which Imperial bank makes itself competitive. It was revealed that Imperial bank makes itself more competitive or profitable by ensuring that they have a cheap source of long-term funds to fund their business. This is usually achieved through mobilization of cheap deposits. The findings is consistent to Dwivedi (2002) who argues that profit maximization is one of the objectives of operations of commercial firms and hence they have to decide what level of output generates optimum returns. To maximize profit firms use the optimizing output technique specifically by minimizing average cost of production.
From the results, it was found that Imperial bank just like any other bank has also borrowed overseas where interest rates are lower than Kenya. The advantage of this bank is that it has subsidiaries banks outside the country so identifying networks of borrowing is easier. The only disadvantage herein is the forewing exchange fluctuations which can have a huge impact on the costs.

4.2.2 Growth and Expansion Strategies

The researcher also found it important to investigate on growth and expansion strategies employed by the bank. According to the respondents, Imperial Bank has partnered with several organizations which have been seen as an opportunity for growth and expansion. Introduction of new products and new brands has helped Imperial bank in beating competition. Moreover, the participants said that Imperial Bank has adopted product differentiation and diversification strategy by extending its offering to beyond commercial banking to other areas like investment banking. Another response from the study indicated that the company has not acquired any business but it has been able to expand its operation to reach to Uganda. Uganda has five branches of Imperial Bank whereby more expansion in that region is expected in 2015.

During the interviews, one of the interviewees responded that one of the growth and expansion initiatives the bank has undertaken is to establish managers or leaders of their expanded market. This has enabled smooth coordination of their activities and it has promoted professionalism and innovativeness which certainly places the bank out at a more competitive edge. Positions such as Regional Expansion manager, Branding and Corporate Change manager are some of the new positions whose objective is to concentrate on growth and expansion of the bank.
4.2.3 Product Differentiation and Competitive Advantage

The study also sought to determine some of the product differentiation and competitive advantage strategies. It emerged that the number of new product introductions has increased dramatically in Imperial bank. The bank has not also been left behind in this race. It has managed to introduce new innovative services like automatic teller machines and “Cashback services” that have made it more competitive by increasing the revenues generated from its existing customers, new loan facilities, youths’ accounts and different interests rates segmentations for the different products that have widened the products range of the banks which caters for the different customers in the market. The findings are in line Davis (2007) who argues that frequent and successful new products introductions are essential for organic growth and competitive differentiation.

Further, it was established that, ventures into stock have been another diversification strategy from the bank. The diversification has also extended to other areas like investment banking through acquisition of custodial services license. It has diversified its products offering by introducing comprehensive banking services, forex products, insurance, investment banking, and mortgage services. Further product like the Visa Debit Cards to its customers enables customers to use Debit cards to pay for services or access cash from outlets like supermarkets, hotels or even overseas. Imperial bank also has money transfers networks such as Western union and money-gram.
Similarly Porter (1998) posited that a firm builds a competitive advantage when it creates or develops attribute/s or resources that enable it to outperform its competitors. Porter recommends that a firm should use one or a combination of generic strategies to compete. He notes that the three generic strategies used to compete at business unit level are cost leadership, differentiation and focus. Cost leadership enables a firm to deliver the same services as its competitors but at a lower cost. Differentiation advantage enables a firm to deliver superior products at the same price or lower price than its competitors.

4.2.4 Strategic Partnership and Competitive Advantage

The researcher also required the respondents to indicate some of the strategic partnership and competitive advantage employed by the bank. According to the responses from the interviews it was revealed that Imperial bank has formed alliances with several businesses across the region which has seen it opening up five branches in Uganda. This has enabled the bank to establish an alliance with the global correspondent banks enabling its customers to transact globally. Identified from the respondents the overall company strategies implemented within departments are all geared towards remaining competitive in the Kenyan banking industry. Imperial bank has entered into strategic alliance with correspondent banks, stockbrokers and international visa card network. Such alliances have enabled the bank to have a wide outreach network. The bank has taken customer loyalty to an advanced level by considering the preferences of its customers by partnering with Arsenal whereby the bank has provided debit cards to millions of fans regionally and across the country.
4.2.5 ICT and Competitive Advantage

The research also sought to identify whether ICT impacts the competitive advantage of Imperial bank. It was analyzed that the bank has internet banking which enables customers to access their accounts and services being offered. Imperial bank has invested in Visa branded ATM’s, Internet and mobile banking channels. According to the results this investment in technology allows for increase of larger customer base, efficiency and convenience in service. These studies agree with those of Abishua (2010) who investigated the role of ICT in competitive advantage. In the study it was found out that information technology strategies improve the relationship in marketing, customer care and it bests assists in accessibility of services by customers. Similarly Trethowan and Scullion (2007) supports our findings when they argued that the speed at which technology continues to develop makes predicting the future of systems in banking difficult, but IT solutions to business problems must provides information support to place the customer in the centre of their operations; aid in-time compression in the development of banks’ products and services; and reduce overall costs by improving productivity throughout the organization.

4.2.6 Marketing Strategies

The researcher found it of importance to determine whether the bank has marketing strategies. All the respondents confirmed that they have a market and research development in their company.

From the interviews it was noted that Imperial Bank has a fully fledged marketing department headed by the director of marketing and research. The bank structure also has other managers playing a crucial role in marketing like the managers of corporate banking, product development, innovation and research. Further through research and
product innovation, Imperial Bank has developed products and services that identify the needs cycle and financial resources of the market segment thus carving out a niche market.

Moreover, the researcher required the respondents to list some of the reasons that make the bank do better than the competitors in production of services to customers. The interviewees listed: Customer service such as courtesy, friendliness to customers, fast acting while serving the customer and putting customers’ interest at heart are some of the characteristics observed at the staff working for the bank.

It was also found that these characteristics build up customers’ confidence about the institution. How confident people feel about stability of their incomes affect their economic decisions, such as spending activity, and therefore serves as one of the key indicators for the overall shape of the economy. One of the respondents stated that, “In essence, if consumer confidence is high, consumers will be making more purchases. On the other hand, if confidence is lower, consumers tend to save more and spend less”

Human resource department looks at strategies on how to motivate staff and remain among the best employer in the banking region. It was found that the bank has staff training in short and long courses all through the year which is managed by needs identification and the plan is done at the beginning of every year. Additionally, it was found that market and research department strategies include; establishing strategic
partnerships, rebranding, differentiation and diversification of products, automation of business process, branch network expansion and improvement of distribution channels.

The study also established that the bank classify clients into various segments, the bank uses various techniques to identify customer segments and predict their needs’, the bank profiles the customers and tailors products to meet their specific needs, the bank determines the profitability of various segments in order to come up with strategies that can enable different segments perform well, Some of the branches of the bank deal specifically with some specific client segments, there are divisions within the bank that are designed to cater for specific client segments.

The study also found that the bank has the best credit policies in the market, the cost of operating an account in the bank is among the lowest in the industry, the bank offer the least interest on the customer savings in the bank, the bank has opened up more branches across the country to reach more customers, bank has introduced a wide ATM network so as to serve customers conveniently, the bank has extended the banking hours in order to serve more customers, that the bank plans to operate late into the night or on a 24 hour basis 5 years from now, the bank uses promotion advertising as a means of promotion.

Finally the study found that the bank has invested more in the sales force in order to increase the turnover, the bank has significantly increased its expenditure on charity activities in the society, publicity is used in the bank as a way of promoting products,
the banks philosophy is to maintain higher quality standards in order to maintain good reputation with third parties and that the bank has increased its budgetary allocation for the sales and marketing department over the last few years.

The findings are supported by Trethowan and Scullion (2007) when they noted that the influence of depleted capital has already been highlighted as dictating strategy in banking. The other key factor that influences progress in the industry is the market strategy adopted by the banks. Capital is in short supply in banking, with over-capacity in the financial services industry; therefore banks are making the classic strategic decisions as to which market segments they wish to service and in what way. Gavigan (2012) further supports our study findings when he posited that the basic thrust of bank marketing strategies is to increase the penetration of products to their existing customers through more effective cross-selling. He articulated this strategy as: it is much easier, and cheaper, to sell to “warm bodies”; and farming an existing account base is much better than hunting for new customers.

Trethowan and Scullion (2007) argue that huge relational databases are being built that capture data on customers from their day-to-day transactions through the bank’s Information Technology (IT) systems. This provides bank marketers with information to improve techniques to identify customer segments and predict customer needs. The objectives of segmentation today are to profile the lifestyle of those in the customer base (in addition to their demographics) in order to tailor products and delivery to meet the needs of the selected segments. Banks are increasingly anxious to measure the profitability of their products, and with this knowledge, to aggregate a customer’s product portfolio to determine the profitability of each customer. Similarly, by
consolidating the profitability of similar customers, segment profitability can be determined, and this indicates which segments are attractive for bank marketing.

Crane and Eccles (2007), suggest that business units be treated as a separate business. Once separated then each division can develop its own strategy based on the segment it serves. A retail bank may adopt a relationship strategy based on attracting the low profit cash transmission business of customers in the “carriage trade” segment, and then deepen the relationship by superior service, to cross-sell more profitable products. The same bank may use another division to service the “bargain basement customers”, through a non-branch telephone banking system, which has a product based focus. Obviously those banks that operate on low costs and have good credit policies can offer lower prices, and will dictate prices in the industry.

Trethowan and Scullion, (2007), asserts that the mass marketing era saw the establishment of branches on every main thoroughfare. Prior to the introduction of computers, banks needed time to perform manual account administration, at which times the public were seen as an “inconvenience”. This is now changing, with 9.00 a.m. until 5.00 p.m. opening, and late evening and Saturday opening returning.

Marketing strategy is thus increasingly focused on delivery. The survey by Trethowan and Scullion (2007) shows that 84 per cent of respondents believe that the numbers of banks offering an alternative to the traditional branch network will increase, and 84 per cent also believe that direct marketing and branch networks will also increase. Direct marketing offers the advantages of convenience, totally sales orientation and low maintenance costs (Trethowan and Scullion, 1997). Branch networks are the
primary delivery channels for bank services, and also act as a barrier to entry in the industry (Trethowan and Scullion, 2007).

Whitley (2011) converges with our findings when he posited that banks at present use a mix of advertising and sponsorships at national, regional, and local levels. Many banks’ promotion strategies are now turning to building a cultural identity of sales and service excellence that will be recognizable to their customers and the marketplace in general.

4.2.7 Human resources strategies
The study sought to investigate the human resource strategies employed by imperial bank limited. The study found from the respondents that the bank has embraced services quality improvement and cost saving strategies as the human resources strategies. One of the respondents said that the bank has in the recent past been engaging employees on part-time basis and contract jobs to reduce cost of the human resources. As well the respondents added that the bank has embraced the use of information technology in order to improve on the output quality of its staff and as well reduce on the cost of operation.

The study findings are supported by Trethowan and Scullion (2007) the importance of human resource strategy is crucial to banks, as the performance and cost of those employed in the industry are fundamental to its future success. He added that this was an area where banks are attempting to raise quality and at the same time cutting costs. Human resource strategies must support the strategic direction of the organization. Cost is a major differentiator in financial services and all major participants must pay attention to staff costs, which is their major cost driver, to remain competitive. Players
in the industry will continue to match each other around the market price, so other forms of differentiation are needed, with service quality being increasingly important in achieving competitive advantage.

The deregulation of financial services has pitted banks against building societies, especially in the personal sector. Building societies enjoy competitive advantage in pricing, principally due to lower staff costs. Bankers have become highly dependent on IT but understand little about systems and software that can make them more productive. Most bank staff understands IT only as the “batched” commands coded on their computers. As banks become more sophisticated there is a greater need for spreadsheet skills for planning and analysis, and there is a huge saving to be realized if text is typed directly onto a PC, rather than copy-typing longhand notes, by the acquisition of word processing skills.

**4.3 Challenges faced by Imperial Bank in Strategy Implementation**

The study sought to investigate the challenges the bank face in strategy implementation. One of the main challenges identified in financial strategy implementation was the risk involved in external borrowing. According to the respondents it is risky to borrow from other banks in other countries as a result of exchange fluctuations. Further the respondents indicated that depreciation of the local currency can wipe all the savings from such borrowings.
In addition, competition in the banking industry has also led to sudden interest in advertising by previously rather silent banks like Bank of Africa, Diamond Trust and Fidelity Bank. This impact has also affected Imperial bank which pursues its promotion campaigns to create awareness about their products and services. However, the other challenge which is quite challenging to resolve is the promotion campaigns used by other giant banks such as Barclays, Equity which has a greater market share in the country. Imperial bank has to strive more hard to impress its selected clientele to ensure that they do not lose them to the big fish.

Moreover, the respondents highlighted lack of coordination from the management and other levels of the organization. The main challenge in Imperial bank is that the changes in responsibilities of key employees are not clearly defined; key formulators of the strategic decision do not play an active role in implementation; problems requiring top management involvement not communicated early enough; key implementation tasks and activities not sufficiently defined; overall goals not sufficiently understood by employees; advocates and supporters of the strategic decision leaving the organization during implementation and implementation taking more time than originally allocated.

Overall, the main barriers to the implementation of strategies in Imperial bank include lack of coordination and support from other levels of management and resistance from lower levels and lack of or poor planning activities. From the results; the respondents indicated that other employees in different levels of the organization may not fully participate in strategy implementation. In Imperial bank, strategy
implementation efforts fail especially if the strategy does not enjoy support and commitment by the majority of employees and middle management. Problems of successful implementation center on how well or badly the existing organization responds and how adequate it’s reporting proves to be. This finding is consistent with that one of Arthur (2004). He argues that in practice there are four problem areas associated with the successful implementation of strategies:

The first problem is that, although strategies need to be developed around the business units of the corporation, these units often do not correspond to parts of the organizations structure. Business units have an external market-place for goods and services, and their management can plan and execute strategies independent of other pieces of the company. Moreover, the organization structure and how that functions derives from its history of take-over, tax considerations, shareholders considerations, economies of scale, personnel strengths and weaknesses, national legal requirements, and so on. Therefore, at any time strategy and structure need to be matched and supportive of each other.

A second problem area is that traditional management reports are not sensitive enough to monitor the implementation strategies, thus the strategic manager not fully aware of what is happening. Hence the performance of existing structure is not monitored properly, and as a result control mechanisms may be ineffective. Third, implementing strategy involves change, which in turn involves uncertainty and risk. Therefore, motivating managers to make changes is a key determinant. Finally, management systems such as compensation schemes, management development, communications
systems and so on are often in place as a result of past strategies; they are rarely tuned or revised to meet the needs of new ones.

Over the past two decades IT has allowed banks to expand their activities to the mass market. However, the survey results by Trethowan and Scullion (2007) show that 85 per cent of retail bankers are not fully satisfied with their IT systems. The first generation of automation has now passed, and in retrospect three main failings have been identified. The first challenge is that they were initially designed with a product focus. This has led to systems in banking resembling patchwork quilts, constantly in a state of repair and modification. Problems associated with systems that no longer match the needs of the business are line staff being unable to cope with the administrative burden, caused by the work generated to achieve operating plans and customers of one division not being identified as common customers of the group as the types of products that banks offer expands. This resulted in poor performance in cross-selling, which is the very area that banks are staking out as their main marketing strategy.

The second failure is that of user involvement in the design and implementation of the systems. The first generation of systems analysts consulted with users and then disappeared until implementation date when it was too late for users to comment on the systems that they would have to use every day. Finally, banks set up their initial IT accounting systems at account level, to reflect the way they had administered their old manual systems. It was easy to detect the extent of a customer’s overall
relationship by examining physical ledger pages. However, automating this arrangement gave banks real headaches in retrieving customers’ files from all around their systems. Paradoxically, just as banks’ systems are addressing this issue, the banks’ voluntary code of practice is placing constraints on how they use information on their personal customers.

Although capital is scarce in the industry, banks continue to invest huge sums in IT, as it is acknowledged that lack of investment in this area damages a bank’s ability to compete effectively. Banks are making the transition to customer-based information being held on relational databases in their efforts to become more market-oriented and to resolve the difficulties of holding details of customers at account level. The details of individual accounts are clustered around the customer’s static details records, such as name and age.

4.4 Discussion

This section presents corroboration of the results with the existing theories and empirical literature.

4.4.1 Relationship of Study Results with Theory

The study established that the bank embraces different strategic management approaches such as human resources through quality improvement of service provision as well cutting on cost of the human resources through subcontracting and part-time jobs, growth strategies and strategic partnership with other organizations in order to gain competitive advantage, marketing strategies such as of pricing strategies, promotion strategies and product delivery to tap across all customers in the country, ICT adoption strategies and financial strategies in order to remain competitive in the
market. The findings of the study supports the theory of competitive theory which is derived from the features that allows an organization to outdo its competitors, such as superior market position, competence or resources (Newbert, 2008). Competitive advantage strategies through maximization of resources in an organization are very important for companies with the objective of gaining a competitive advantage in the market. Thus, this theory supports the concept of this study as it argues that resources and its efficient management leads to banks gaining a competitive advantage position which is important for them to achieve superior performance.

Challenges highlighted in strategy implementation are as a result of lack of organization coordination, poor staff motivation in embracing strategies and poor planning activities. Planning and coordination are the responsibilities of a manager, thus the findings of the study relates to the theory of strategic leadership which supports that the effort of a leader is very essential in the organization of human capital, financial resource, organization structure and process to achieve a competitive stand in the market.

The other challenge of lack of employee motivation in embracing new strategies for competitive advantage can be managed to ensure success. This is well explained in the scientific management theory. The scientific management which discusses the modern management approaches explains that developing a good organization design and its management principles is a crucial factor in determining the competitive advantage.
The strategies implementation strategies such as human resources strategies are facing difficulties such as in areas where employees are not engaged in formulation of the strategies and in coming up with IT software therefore becoming less engaged in overall decision making and feels isolated from the rest of the system therefore becoming bored in while carrying out their tasks in the organization. This could be as a result of engagement of strategic leadership. These results of the study are relevant to the theory of strategic leadership which involves the capacity to learn, the capacity to change and managerial wisdom (Boal & Hooijberg, 2001). This theory highlights the functions of a leader and how they manage crisis and maintain proper organizational structures, processes and culture for purposes of gaining competitive advantage. The effort of a leader, is therefore very essential in the organization of human capital and organization structure and process to achieve a competitive stand in the market.

4.4.2 Relationship of Results with Other Studies

Results show that Imperial Bank has also adopted product differentiation and diversification strategy by extending its offering to beyond commercial banking to other areas like investment banking. These responses corroborates those of Ndede (2010) who found that Barclays Bank of Kenya employs differentiation strategy that aims at achieving competitive advantage by offering better products or services at the same price. Further the study supports the findings of Mulaa (2004) who found that competitive strategies adopted by leading SACCOs in Nairobi include; offering variety of products and ensuring high quality of products.
According to the results, Imperial bank has also diversified its products offering by introducing comprehensive banking services, forex products, insurance, investment banking, and mortgage services. The findings herein support those of Mulaa (2004) who after examining the competitive strategies adopted by commercial banks in Nairobi found that the major determinants of competitiveness were; offering variety of products. Further the study supports the findings of Ndede (2010) who found that Barclays Bank of Kenya employs product differentiation strategy that aims at achieving competitive advantage by offering better products or services to remain competitive. Customer service was another strategy found to impact effectively in companies’ plan of achieving a competitive advantage. Good customer service such as courtesy, warmth in greeting and attention to customers’ needs were some of the characteristics observed amongst staff at Imperial bank. These findings support those of Treacy and Wiersema (2012) who explain that firms like Nike, Dell Computer, and Home Depot which have successfully rise and grow to world class brands uses customer intimacy to achieve the competitive strategies.

Results indicate that Imperial bank has staff training in short and long courses all through the year which is managed by needs identification and the plan is done at the beginning of every year. These findings support those of Elius (2012) who found that major international company Kentz Corporation considers several training methods, both on- and off site, and looks at more innovative modes of training to address skill shortages which in the long run can obtain competitive advantage and customer satisfaction as a result of investment and innovation in training initiatives. Additionally, it was found that market and research department strategies include;
establishing strategic partnerships, rebranding, differentiation and diversification of products, automation of business process, branch network expansion and improvement of distribution channels. These findings support those of Abishua (2010) who found that Imperial bank uses the following strategies to respond to competition in the banking industry; diversification, branch and regional expansion.

The study revealed that imperial bank involves growth, human resource, IT strategies and marketing strategies in order to remain competitive in the market. Similarly Abishua (2010) analyzing the strategies used by Equity Bank to compete in the Kenyan banking industry found that Equity Bank uses: branch and regional expansion, relationship marketing, financing, customer-care, innovation, and information technology strategies. The study found Equity Bank to be a very adaptive bank with a versatile reactionary mechanism to exploit any emerging gaps in the banking industry. The bank has been able to create new markets in uncontested areas like hair salons, millet growing (for brewing) and dairy industry, so its competition strategies are heavily bent on using “blue ocean strategies”.

From the results the main barriers to the implementation of strategies in Imperial bank includes; lack of coordination and support from other levels of management and resistance from lower levels and lack of or poor planning activities. The findings above support those of Awino (2013) whose analysis was on challenges affecting implementation of strategies. The researcher found that strategic planning is important or of significant as it positively influences change or strategies aimed for competitive advantage.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter discussed the summary of findings, conclusions and recommendations of the research study this entailed a detailed explanation of strategies employed by Imperial Bank Limited to develop competitive advantage in Kenya. The answers to the research questions were discussed from the study findings and as an effort to provide a solution to the strategies employed by Imperial Bank Limited to develop competitive advantage, recommendations of the study were discussed and suggestions for further studies were made. The data obtained from the interview guide was critically examined to detect errors and correct the questions that were not properly answered, all the mistakes were collected and poorly answered interview guide were exempted from analysis process this increased accuracy, consistence and reliability of the gathered facts.

5.2 Summary of Findings

The study revealed that Imperial Bank has adopted strategies which are aggressive in some aspects. The study reveals that the Bank is using various strategies to respond to competitiveness in the Kenyan Banking Industry.

Some of the strategies identified include: the financial strategies which increases the overall comprehensive income for the firm and ensures that the financial costs of the bank remained low through obtaining cheap source of long-term funds to fund their business and borrowing overseas where interest rates are lower than Kenya; marketing strategies where the bank has engaged their product promotion through
publicity, pricing strategies to appear most attractive in the market through low cost of their services, distribution by ensuring that they have branches across the country and that ATMs are found across the country; product differentiation strategies by having different loan service products reaching different market niches; ICT strategy where the bank carries some of its services online such as mobile banking and electronic banking; on the human resources strategies the bank has employed a pool of experts in different field to ensure quality of service and to remain competitive which has as well been achieved through motivation of the staff and detailed training to ensure the bank remains competitive.

The Challenges identified in implementing the different strategies included office politics which leads to lack of coordination and support from other levels of management. It was also found that employees demonstrate resistance from changes coming along with strategies for improvement of competitiveness of the bank. The resistance of change causes the organization to lag behind in some developments as it takes time to orient the new employees on the importance of the changes. Another challenge identified is that of lack of planning, activities lacking action points and a time frame disorganize a good innovation which could have taken effect if proper planning processes were put in place.

The lack of engaging staff in strategies decision making across all levels of human resources this is from the top level management to the subordinate staff levels as well as inadequate communication of strategies poses a great challenge in the strategies
implementation where the staff at times don’t understand the broad strategies of the organization therefore leading to lower productivity of staff in the organization.

5.3 Conclusion

The study concludes that the bank has employed financial strategies that have gone step ahead in reducing the banks financial cost like borrowing funds from sources that are charging low interest costs, as a financial strategy the bank has being borrowing from overseas where the interest costs are low.

Imperial bank has pursued its branch expansion strategy very keenly all its while. This has seen the bank’s branch network increase in Nairobi, Mombasa, Eldoret, Thika, Nakuru and regionally to Uganda with its operation in five branches within the country. Plans are also underway to increase its spread in Uganda and further spread within Kenya, especially in Kisumu, Kakamega and its environs as the growth strategies adopted by the bank.

It can also be concluded the bank has very good corporate governance culture in financial reporting and diversification. Imperial bank is one of the few commercial institutions that have been able to partner with World renowned football club just to extend its debit cards to fans in Kenya and Uganda as the strategic alliance strategies that makes the bank competitive in the market. This was an innovative strategy that saw the bank increase in market share. Imperial Bank has managed to introduce new innovative services to its customers M-PESA and M-PESA to bank, Internet banking, Mobile banking, Debit cards and Deposit taking ATMs which are some of product
differentiation strategies to serve customers in different market niche and therefore reach out to customers across the country.

The study also concluded that the banks has employed ICT strategies such as coming up with ATMs, mobile and electronic banking system in order to reach out a wider market base and therefore gain competitive advantage in the provision of its services. The study concludes that the bank also involve itself with marketing strategies that involves promotion strategies of products through publicity and advertisement; distribution of services has as well been employed through introduction of branches across the country and even coming up with ATMs that help in reaching the customers across the country; through marketing strategy the bank has reached out to different market niches by the introduction of that help reach different customers in the market which has been achieved through the introduction of different loan products in the bank.

The study further concluded that the bank is facing challenges in the implementation of its strategies which includes inadequacy of capital such as coming up with the most appropriate technology that will help reach desired results, some of the staff in the lower levels are not engaged in formulation of strategies and therefore they fail to understand their roles well leading to misunderstanding of their roles. There is also internal politics that have hindered implementation of strategies that have great potentials in transforming the bank.
5.4 Recommendations

The study makes specific recommendations guided by the objectives of the study. Imperial bank must be incurring a lot of costs especially when building its branch of networks all over Kenya and regionally. These expansion need accessibility to be made to even areas where there is lack of the bank. Therefore, Imperial bank should quickly adopt agency banking in order to increase their branch network in a cost-effective way and also reach the untapped regions countrywide.

The study recommends that organization should create higher level of involvement of members in the organization. Other companies emulating Imperial Bank should establish institutionalize resource process policies so as to efficiently regulate resource allocation to ensure competitive strategy implementation is a success. Imperial Bank, at any time, strategy and structure need to be matched and supportive of each other. Strategic planners must attempt to cut through the culture of diversified corporation and to plan in relation to the various competitive environments by identifying the strategies for them. Moreover, these strategies still have to be implemented by the organization as a whole.

The bank needs to have in place effective retention strategies so as to increase competitive advantage. Finding out what employees want or need is one way of understanding them and getting ideas of the kind of strategies that can be put in place in order to increase competitive advantage. When managers sit with employees during appraisal, the manager and the employee come up with objectives for the employee to
accomplish during a certain time period which makes it the best time for the manager to converse with the employee on what is needed to help or ensure competition for better performance.

The service quality must be intertwined in the bank. This requires commitment to the concept from the whole organization. The burden should not fall solely on front-line staff in each “moment of truth” for quality, to achieve the required standards of service. The production and support process must be tracked back through the organization and the contribution of all involved should meet these standards. Therefore the strategic managers must expect good results from the lower level employees by first of being role models in strategies formulation to avoid challenges in effective strategies implementation.

There should as well be consistency in product and delivery standards. This requires careful design of both factors to minimize the variability of the human resource. The control of standards must also be achieved by adopting techniques that will turn service into tangible measurements therefore keeping the organization competitive. Finally, quality need to continue being improved, therefore what was good today may not be good enough in a year’s time. Therefore, chosen quality levels must be kept under review to ensure that the proposed strategies are relevant in all situations.
5.5 Limitations of the Study

There was need to access secondary data to get information on the company’s financial operation. Therefore, the limitation is that financial strategies used by the bank to achieve a competitive advantage where not fully covered in the interview. This again was as a result of reluctance received from the respondents as some felt that disclosing their financial strategies were confidential.

The study did not exhaust all the competitive strategies such as value chain strategies, ICT strategies and human resource strategies which were not deeply explored in the study. Further, the study analyzed one limitation that functional managers or leaders in the institution were found not to be involved majorly in strategy implementation thus, the study questions the coordination in implementation of strategies without departmental support. These seem to cause some setbacks in achievement of some competitive strategies of the bank.

Moreover, there is much competition within the banking industry, another limitation identified is the study did not carefully analyze how the bank deals with competitors actions especially those geared towards developing products that are similar to theirs, taking marketing initiatives that corresponds to that of theirs or even more advanced than what the bank currently has.

Further, the respondents may have been unable to give an honest opinion so as to retain the image of the bank. This is because the respondents’ response on the strategy work life balance was neutral. The study faced the limitation of time where the
respondents only gave few minutes to be interviewed therefore the researcher didn’t have adequate time with the respondents to get some research details on the study since it was a working day and therefore the respondents were rushed to attend their daily duties.

5.6 Suggestions for Further Studies

The study has achieved its aim that is to investigate strategies employed by Imperial Bank Ltd to develop competitive advantage. It has therefore opened up avenues for further research since it was confined to one Bank that is Imperial Bank Limited which may differ in their way of management and also operate under a different context all together. A replica study can be done on other banks in the industry which will now determine and compare the strategic response adopted by other players in the banking industry. This would give a comparison on the strategic responses adopted by banks in dealing with the competitiveness in the banking industry. One of the challenges identified in the study was that of lack of coordination, another study can look at the functions of managers in competitive or change strategies implementation.

Future research should have a larger size and research in other types of organizations that are not service based organizations. A different type of methodology should be used to analyze data to test the variables and compare the results.

Another study should be done where a different research instrument is used in this case a questionnaire or a focused group discussion in order to get more information on
the study which can help in comparing findings and therefore come up with a generalization on the findings and therefore conclusions. This will involve a proposal where the respondents are asked to give the researchers more time in order to get some details on the strategies involved as well as challenges involved in the implementation of the strategies.
REFERENCES


APPENDICES

Appendix I: Introduction Letter

Date……………………………..

Dear Respondent,

RE: VOLUNTARY PARTICIPATION IN DATA COLLECTION

My name is Rachael a postgraduate student of University of Nairobi. I am carrying out research on the strategies adopted by imperial bank for competitive advantage. The data collected is for research purposes only and it takes the form of a survey which should take no more than 15 minutes of your time. The responses of this study will be confidential, anonymous and information collected will not be distributed to any other party.

Thank you for taking time to complete this survey.

Yours Sincerely

Rachael
Appendix II: Interview Guide

Kindly answer the following questions as honestly and accurately as possible. The information given will be treated with a lot of confidentiality. You are encouraged to give your honest opinion.

PART 1: BASIC INFORMATION

1) Please indicate your age?
   - Less than 20 years [ ]
   - 25 to 30 years [ ]
   - 30 to 35 years [ ]
   - 35 to 40 years [ ]
   - 40 to 45 years [ ]
   - Over 45 years [ ]

2) How long has the bank been in Operation in Kenya?
   - Less than 3 years [ ]
   - 4 to 5 years [ ]
   - 6 to 10 years [ ]
   - More than 10 years [ ]

3) What is your target market?

4) How many branches do you have in and outside Kenya? In which other countries are you having your presence?

5) Do you intend to open other branches?
   - Yes [ ]
   - No [ ]

6) In which area where you have a branch, do you foresee a higher growth?
   - i) Within Kenya
   - ii) Outside Kenya

PART 2: COMPETITIVE STRATEGIES

a) Do you have a market research or business development unit in your organization?

b) What are the things that Imperial Bank does better than its competitors in providing services to customers?

c) How are the overall company strategies implemented within departments? In your experience, what are some of the challenges faced during implementation and how are they overcome?
d) Which strategies have you adapted to enable you serve your expansive clientele?

e) Which financial strategies has your bank used to compete in the bank industry?

f) Has introduction of new products or new brands helped you to beat competition?

g) Has your company used acquisition of business as a strategy for gaining competitiveness? If yes, how has this acquisition of businesses assisted you to compete in the industry?

h) How have you used your ICT system to build a competitive advantage?

i) What changes have you made on your organizational structure and human capital to improve your competitiveness?

Thank you