DEVELOPING SUSTAINABLE COMPETITIVE ADVANTAGE BY BARCLAYS BANK OF KENYA LIMITED

BY:

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DECLARATION

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

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This research project has been submitted for examination with my approval as the University supervisor.

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I thank the Almighty Allah for enabling me to complete my studies successfully. Sincere appreciation goes to my parents who stood beside me all through my studies.

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Lastly, I thank my family, friends, lecturers, classmates and work colleagues, who gave me support and information that made this research project a success.
DEDICATION

To my loving parents, Yusuf Ali and Mariam Hassan for the effort they put to lay a firm foundation of my education and teaching me to be a resilient individual in order to achieve life goals. To my siblings Hassan, Zena and Rukia for their love and support. This project is also dedicated to my dear husband Ali Shisia and our son Jamal Ali for enduring my absence, while undertaking this study.
ABSTRACT

Competitive advantage is the heart of a firm’s performance in competitive market. It is, in its very basic words, a position a firm occupies against its competitors. The objective of this study was to determine the strategies that Barclays Bank of Kenya (BBK) adopts to achieve sustainable competitive advantage. BBK has operated in Kenya for 95 years and it remains the biggest bank in the country in terms of asset base, capitalization and profitability. It has built a strong brand name, and continues to be a leading and dominant bank in Kenya. It was therefore of interest to study and find out, the strategies it adopts to remain a top bank throughout the years. This would therefore be useful to scholars and policy makers.

This study was conducted using a case study design to gain in-depth knowledge. Primary data was collected using a semi-structured interview guide administered through one on one interview. Secondary data was used to enrich understanding of the bank and the industry as a whole. Data was then analyzed using conceptual content analysis as presented through tables and figures. The respondents were the senior management staff of Barclays bank of Kenya.

The research findings reveal that Barclays bank has a clear drive for competitive advantage and is motivated by top management’s vision of the firms' future. To achieve the goal of competitive advantage, BBK offers value to its customers at a cost that produces economic performance superior to rivals. BBK then defends this position from the competition to achieve high sustainable performance.

In conclusion, with the dynamic business environment, organizations should undertake to align their strategies to the ever changing demands of external environment. All managerial tasks including resource allocation and organization design should be directed at building the firm's market position.
Most of the recommendations included in this report are not simply external prescriptive. This is because some were proposed by interviewees in the course of data collection. For instance, it has been highly recommended that Barclays Bank of Kenya needs to be more aggressive since the market is not a monopoly anymore and competition is stiff. The company needs to address its inefficiencies and focus on product innovation to suit customer needs and wants. The greatest challenge by the bank was the increase in competition within the industry.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

All firms operate within an environment and the environmental factors influence a firm's choice of direction and action and, ultimately, its organizational structure and internal processes. Environment is always dynamic and it continually presents opportunities and threats to the organization. The external environment of an organization is all those conditions and forces that affect its strategic options and determine its competitive situation (Porter 1985).

One of the major environmental threats is competition. This is a phenomenon that is not only manifested in other industry player but also in the form of customers, suppliers, potential entrants and substitute products. It is therefore necessary for a firm to understand the underlying sources of competitive pressure in its industry in order to formulate appropriate strategy to respond to competitive forces (Porter 1980). Porter, (1980) further noted that competition in an industry is rooted in its underlying economic structures and goes well beyond the behavior of current competitors.

Firms use strategies to solve problems. Strategy can be defined as an organization plan to succeed. According to Thompson, Strickland & Gamble, (2007), a strategy is a management action plan for running the business and conducting operations. Strategy is a match between organizations' resources and skills and the environmental opportunities and risks it faces and the purpose it wishes to accomplish (Schendal and Hofer, 1979).

Due to the importance of long-term success of firms in a competitive world, a body of literature has emerged which addresses the content of sustainable competitive
advantage as well as its sources and different types of strategies that may be used to achieve it. The purpose of this paper is to trace the origins of Sustainable Competitive Advantage (SCA) and discuss how it has been applied to marketing strategy and ways of its development at Barclays bank Kenya Limited.

In most industries, some firms are more profitable than others, regardless of whether the average profitability of the industry is high or low. The superior performers conceivably possess something special and hard to imitate that allows them to outperform their rivals. These unique skills and assets (resources) are referred to as sources of competitive advantage in strategy literature. Sustainable competitive advantage can result either from implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors (Barney, McWilliams, and Trlrk 1989; Barney 1991) or through superior execution of the same strategy as competitors. Sustainability is achieved when the advantage resists erosion by competitor behavior (Porter 1985).

Competitive advantage is the goal of strategic thinking and the primary focus of successful entrepreneurial action. The drive for sustainable competitive advantage should motivate top management's vision of the firms' future, since no vision can be effective that leads the company away from its potential in the market, Gurley and Shaw (1955). All managerial tasks including resource allocation and organization design should be directed at building the firm's market position. If they are not oriented towards this end, economic performance will decline in the competitive product markets, the firm will suffer, and management itself will be at risk. To achieve the goal of competitive advantage, a firm must offer value to customers at a cost that produces economic performance superior to rivals, King and Levine (1993).
1.1.1 The Banking Industry in Kenya

The basic function of a banking firm is financial intermediation, and its core product is making loans and accepting deposits. The banking industry has undergone tremendous changes in recent years, brought about by the forces of deregulation, technological developments, and globalization. These changes have provided much greater opportunity for competitive differentiation and have led to a significant increase in the degree of competition in this previously regulated and largely uniform industry. In essence, the economics of the industry have changed from being supply driven to being demand led, along with the increase in the intensity of competition; there has been a concomitant shift in the nature or the bases of competition. While previously competition focused on preemptive entry into key geographical and product markets to establish advantage, now it focuses more on developing key organizational resources and capabilities such as innovation, efficient production process, strong credit culture, etc. This shift in competitive emphasis has occurred, because the regulatory protection and other collective imperfections which previously provided sustainable competitive advantage in this industry are slowly fading away (Financial Post, May 2008).

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system (Njoroge, 2010).
According to the central bank of Kenya, there are 44 registered commercial banks in
Kenya as at March 2011. These banks can be categorized into locally owned and
foreign owned. Locally owned banks are further categorized into public financial
institutions and private financial institutions. 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 as a forum to address issues affecting members. Over the last
few years, the Banking sector in Kenya has continued to growth 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. Automation of a large number of services and a move
towards emphasis on the complex customer needs rather than traditional 'off-the-
shelf banking products. Players in this sector have experienced increased competition
over the last few years resulting from increased innovations among the players and
new entrants into the market.

1.1.2 Barclays Bank of Kenya Limited

Barclays Bank of Kenya Limited, a subsidiary of Barclays Pic, is one of the top banks
in Kenya. The business units fall under Retail, Corporate, Treasury and Card Services
with cross functional relationships to support the segments of local business and small
to mid-sized enterprises (SME).

Barclays financial strength coupled with extensive local and international resources
have positioned Barclays as the top provider of financial services in the market for the
past several years. Moreover, Barclays consistent financial performance has built
confidence in its leadership and management among the bank's shareholders, as well
as the industry overall.
Barclays has operated in Kenya for 95 years, and currently have an extensive network of 117 branches and over 230 ATM's countrywide. The network is supported by Internet and mobile banking channels plus a Customer Service Centre that operates 24 hours a day, 7 days a week. Over the years, Barclays has contributed to the development of the banking industry, financial services sector, as well as the economy overall. Industry recognition received for leadership include Best Bank in Kenya - Global Finance (2008, 2009 & 2010); Company of the Year Award for Human Resource Management Practices - Kenya Institute of Management (2008); Best Retail Bank - 2009 Banking Awards; and Company that best complies with the International Financial Reporting Standards - FiRe Awards (2009).

1.2 Research problem

Kenya's banking Industry is a cutthroat business arena with each player scrambling for a piece of the pie. Firms continuously interact with the environment in which they operate. This poses a challenge in trying to keep up with the environment, which is highly dynamic, chaotic and turbulent. The banking industry has changed from being highly regulated by the government before 1990s although some aspects of control are still in place. Globalization, technological advancement and more enlightened customers are other significant changes to impact the banking industry. There is also stiff competition from other institutions such as microfinance, savings and credit societies, insurance companies, investment companies and other existing banks. This has made competition in the industry stiffer hence the need to develop competitive strategies that will create competitive advantage for the firms for survival and prosperity.
Over the years, banking industry has been faced with many challenges while trying to offer their services; this has been caused by the liberalization of Kenyan economy. The new entries of other banks in the market have been intensified by increased entrepreneurial capacity as well as by increased economic power of individuals which has resulted into decline in market share and profitability of existing banks. The major challenge for the banks is to come up with a strategy that makes them more competitive and attractive in the market. Thus, it may be inferred that systematic differences exist between firms as a result of strategic resource based choices, that is, decisions to invest in building resource bundles which are often difficult and costly to imitate. The main problems is the inability to out perform the banks competitors since some of the services offered by the competitors cannot be imitated by the bank, inability to make viable investment decisions and the failure by the regulatory commissions like the Central Bank of Kenya to implement their policies effectively.

The importance of competitive advantage as determinants of a firm’s success and growth has increased tremendously in the last decade. This is due to the belief that fundamental basis of above-average performance in the long run sustainable competitive advantage (Porter, 1985). Practitioners and academicians have centered their studies on firm specific characteristics that are unique, add value to the ultimate customer and are transferable to many different industrial settings. The essence of strategy lies in creating tomorrow’s competitive advantages, faster than competitors can mimic the ones a firm has today. The key is not to anticipate the future but to create the future. (Hamel and Prahalad, 1989)

A number of studies have been done on competitive advantage on different scopes such as those on ICT (Taneja, 2006), sugar industry (Angado, 2006), Airline company
(Ndungu, 2006) Oil company (Njoroge, 2006), Motor vehicle company (Kamuren, 2006) and school (Njimu, 2006). It is evident that each industry adopts different competitive strategies which are unique in each context. No study on developing of sustainable competitive advantage at Barclays bank has been done and yet Barclays has operated in Kenya for 95 years and continues to dominate the financial market. This raises the following question, "what strategies does BBK employ, to develop sustainable competitive advantage?"

1.3 Research Objectives
To determine the strategies Barclays Bank Kenya Limited adopts to achieve sustainable competitive advantage.

1.4 Value of the Study
This study will contribute knowledge to existing literature, which will be a useful reference point to scholars, academicians and researchers. This will help them identify areas for future research study.

This study will help the government especially ministry of finance and related agencies in formulating policies that will create conducive operating environment in the banking industry.

This study will help Barclays bank to improve on their economic performance in a strong competitive market. It can be adopted by the management of any banking institution to uphold successful entrepreneurial management skills towards achieving the firm’s objective in a strongly competitive market. It can be used by the risk management department in performance evaluation to capture the changing market trends due to strong competition in the market. Managers will be able to view the
organizations’ SCA in a broad perspective. This will help them to learn and assess their strategies and look for more opportunities to improve their competitive advantage. This strategy will also help them to apply new strategies in order to build a SCA. Customers will also benefit from high quality of products and services.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The idea of a sustainable competitive advantage (SCA) surfaced in 1984, when Day suggested types of strategies that may help to sustain the competitive advantage. The actual term SCA emerged in 1985, when Porter discussed the basic types of competitive strategies firms can possess low cost or differentiation to achieve SCA. Interestingly, no formal conceptual definition was presented by Porter in his discussion. Barney (1991) has come the closest to a formal definition by offering the following: A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. Based on both Barney's work and the definitions of each term provided in the dictionary, the following formal conceptual definition is offered: An SCA is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy.

2.2 Concept of strategy

Strategy can be defined as an organization's plan to succeed. For any organization to achieve its set targets, it needs to put in place a strategic plan which outlines all the procedures that must be followed in order to succeed. According to Thompson, Strickland and Gamble, (2007), a strategy is a management action plan for running the business and conducting operations. An effective strategy gives firms three benefits: first it is a source of economic gain provides framework for resource allocation and it guides the firm’s decisions regarding management and organization. According to Hamel & Prahalad (1989) the essence of strategy lies in creating
tomorrow’s competitive advantage faster than the rate at which competitors mimic the ones you possess today, while Hax & Majluf (1996) view strategy as a means of establishing the organizational purpose in terms of its long term objectives, action programs, and resource allocation priorities. He further stated that strategy can be defined as the competitive domain of the firm, as a response to external opportunities and threats, internal strengths and weaknesses, in order to achieve a sustainable competitive advantage.

Strategy can be defined as the broad program of goals and activities that help a company achieve success. Strategy is a match between organizations’ resources and skills and the environmental opportunities and risks it faces and the purposes it wishes to accomplish (Schendel and Hofer, 1979). According to Johnson and Scholes (2005), strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations. Michael Porter (1980) indicates that strategy is about positioning a company in its industry. Positioning is about choosing a basis for delivering value or superior offering for market to consider an organization as a better organization with better value. Competitive advantage is a result of such positioning.

All firms operate within an environment and the environmental factors influence a firm’s choice of direction and action and, ultimately, its organizational structure and internal processes. Environment is always dynamic and it continually presents opportunities and threats to the organization. One of the major environmental threats is competition. Competition is a phenomenon that is not only manifested in other industry player but also in the form of customers, suppliers, potential entrants and
substitute products. It is therefore necessary for a firm to understand the underlying sources of competitive pressure in its industry in order to formulate appropriate strategy to respond to competitive forces (Porter, 1980). Porter further noted that competition in an industry is rooted in its underlying economic structures and goes well beyond the behavior of current competitors.

2.3 Early Contributions to the SCA Concept

Early literature on competition serves as a precursor to the development of SCA. In 1937, Alderson hinted at a basic tenet of SCA, that a fundamental aspect of competitive adaptation is the specialization of suppliers to meet variations in buyer demand. Alderson (1965) was one of the first to recognize that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. Later, Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to learn how to create new advantages that will keep them one step ahead of competitors. Alderson was considered "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Over a decade later, Hall (1980) and Henderson (1983) solidified the need for firms to possess unique advantages in relation to competitors if they are to survive. These arguments form the basis for achieving SCA.

2.4 Competitive Advantage

To be competitive in a dynamic environment, corporations have to become less bureaucratic and more flexible. In stable environments, which are not common today, a competitive strategy simply involves defining a competitive position and then defending it. However because it takes less and less time for one product or technology to replace another, companies are finding that there is no such thing as a

The above means that firms must develop strategic flexibility, that is, the ability to shift from one dominant strategy to another. Strategic flexibility demands a long-term commitment to the development and nurturing of critical resources. Strategic flexibility demands a long-term commitment to the development and nurturing of critical resources. The more multidimensional a firm's competitive advantage is and the more each dimension of competitive advantage is based on unique or complex bundles of organizational capabilities rather than individual capabilities, the more difficult it is for a competitor to diagnose the determinants of the firm's success. (Hunger and Wheelen, 2002)

2.5 Market-based view of strategic groups

The importance of diversity among the demand and cost curves of firms within the same industry was first discussed in detail by Chamberlain (1932). This was a precursor to the concept of strategic groups, which was first observed by Hunt (1972), and then developed in a series of papers by Caves and Porter (1977) and Porter (1979) to explain observed intra-industry differences in profit performance. Strategic groups were loosely defined as clusters of firms which competed by following similar strategies within an industry (Porter, 1979). They are persistent structural features of industries and are bounded by mobility barriers-structural or strategic barriers which surround a group and protect it from entry by potential rivals (Caves and Porter, 1977).
The presence of strategic groups within an industry is expected to affect industry and firm performance through the process of competitive rivalry between groups, and due to the presence of asymmetrical mobility barriers between groups. Groups which are protected by higher barriers and relatively insulated from the process of competitive rivalry within the industry are expected to enjoy superior performance (Porter, 1979). In essence, then, the appeal of the strategic groups-mobility barriers paradigm stemmed largely from its ability to account for persistent intra-industry performance variation. In fact, Porter (1979) went so far as to argue that the concept of strategic groups allows us to systematically integrate the differences in the skills and resources of an industry's member firms and their consequent strategic choices into a theory of profit determination. Empirical researchers who tested this proposition came up with mixed findings.

Porter (1979) failed to establish statistically significant differences between his 'leader' and 'follower' strategic groups. Oster (1982), on the other hand, found that high advertisers outperformed low advertisers in those industries where advertising spending has lasting effects. Again, while Howell and Frazier (1983) found no difference in performance across strategic groups in the medical supply and equipment industry, Dess and Davis (1984) did find differences on some performance measures in the paint and allied products industry. More recently, Cool and Schendel (1987) found differences of market share, but not profitability across groups in the pharmaceutical industry. In the insurance industry, Fiegenbaum and Thomas (1990) found significant differences over time across groups on five out of nine performance measures, while Lewis and Thomas (1990) found no support whatsoever for differential performance effects in the U.K. retail grocery industry. The conclusive empirical evidence on this issue means that either no such linkage exists or that the
relationship has not been captured due to under poor specification of the model. Taking the specification issue as paramount, I use the RBV theory to develop an alternative set of group defining variables.

2.6 The resource-based view and strategic groups

The pattern, nature and intensity of competition in most industries have changed considerably since the original discovery of strategic groups. Under the new realities of global competition, traditional strategic recipes no longer hold. Successful competitors build their strategies not around products, but around deep knowledge of a few highly developed core skills (Prahalad and Hamel, 1990). A seemingly superior product rarely provides a sustainable competitive advantage, since it is easily bypassed, reverse engineered, cloned, or slightly surpassed (Quinn, Doorley, and Paquette, 1990). The underlying competitive advantage, instead, is provided by distinctive firm-level resources such as innovative marketing and distribution methods, advanced process technologies, logistics capabilities, appropriate organizational structures, and administrative procedures etc., which competitors cannot reproduce. These resources are accumulated over a period of time with a deliberate strategic focus. They are the product of a history of strategic choices and resource commitments made by the firm (Dierickx and Cool, 1989). Thus, it may be inferred that systematic differences exist between firms as a result of ‘strategic’ resource choices, i.e., decisions to invest in building resource bundles which are often difficult and costly to imitate.

These resource bundles are the building blocks of successful product market strategies. Furthermore, because firms are most comfortable acting in the neighborhood of what they already know best (Cyert and March, 1963), these resource bundles also circumscribe the competitive flexibility of firms in terms of
their ability to change strategic postures. Hence, given that resources constrain the effectiveness of current strategic actions, it can be argued that the stock of accumulated resources and competencies constitutes the real source of competitive advantage. While superior performing product market actions are transparent to every player in the industry, what is not so readily apparent is the resource base required to successfully implement those strategies. Even if such insights are obtainable, considerable time lag is required to acquire and cultivate the desired resource mix. Apparently, then, with increasing global competition, the underlying competitive emphasis in most industries appears to have shifted from being position based to being more resource based (Best, 1990). Effective competition may not occur at the level of observed product market strategies which merely reflect transient competitive positioning, but at the level of acquisition and creation of suitable resource bundles. Hence, any viable study of rivalry within an industry should concentrate on isolating the underlying competitive resources employed by firms. For instance, (McGee and Thomas 1989): argue that to discuss pricing, for example on its own, is less useful than examining how distinctive firm level characteristics which are embodied in different asset structures to influence competitive forces. If strategic groups are derived based solely on observed product market strategies, they might not fully capture this underlying competitive reality.

The phenomenon which makes competitive positions stable and defensible is encompassed in the uncertain imitability of the underlying resource base. It is this resource base, and not market positions, which constitutes effective mobility barriers. In sum, according to the RBV, firm resource endowments rather than product market circumstances define success, and since the strategic group framework was originally developed to explain the locus of firm's profitability
Strategic groups, therefore, may be defined as groups of firms which compete within an industry by deploying similar configurations of strategic resource bundles. While researchers such as McGee and Thomas (1986) have acknowledged that firm resource endowments provide a basis for identifying strategic groups, the question does arise as to how firm-level factors translate to group-level aggregation? The concept of strategic industry resources developed by Amit and Schoemaker (1993) provides an answer to this quandary. According to them, firm rent generating resources are of two types: resources which are considered valuable in the industry, the so-called strategic industry factors; and firm idiosyncratic resources. Of course, all unique firm level resources are not necessarily valuable. Thus, firms which employ similar configurations of the strategic industry resources can constitute a strategic group. Any derivation of strategic groups based on firm resources is expected to be more stable than the strategic groups based on firm product market strategy, because in general, altering a firm's resource base requires a considerably longer time than changing its market strategies (Dierickx and Cool, 1989). Further, since the stability of groupings is a prerequisite to the presence of performance differences between groups (Cool and Schendel, 1987), it is also expected that durable performance consequences will be associated with these resource based groups.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods and procedures that were followed in conducting the research. It describes the research design and goes on to explain the data collection procedure, the data collection instruments and the data analysis techniques.

3.2 Research Design

According to Yin (1984), case studies are the preferred strategy when both open and closed questions are to be asked in an interview where the researcher has little control over events, and when the focus is on a contemporary phenomenon within some real-life context. Regardless of the type of case study, the researcher must exercise great care in designing and doing case studies to capture the main objectives of the study and to overcome the traditional criticisms of case study as a research design. In this study, a case design approach with reference to Barclays bank Kenya Limited was adopted. The research was descriptive in nature and provided an ample opportunity for a detailed examination of the issues pertinent to the study. The researcher visited Barclays Bank of Kenya Limited and interviewed the bank’s directors, who are the Country Management Committee (CMC) members. This was essential since the target of the study was a single organization.

3.3 Data Collection

Both primary and secondary data was used for the study. The primary data was obtained through a semi-structured personal interview guide comprising of open and closed ended questions capturing both qualitative and quantitative data. (The interview guide is attached as appendix III). Interviewees were eight country
management committee (CMC) members who are vested with the responsibility of enforcing managerial policies along with setting strategies for Barclays Bank of Kenya. The interview was administered through face to face method. Secondary data was used to supplement and confirm primary data and was obtained from the public information availed by the bank on the company website, Central Bank's annual report, Barclays banks financial reports, magazines, newspapers and other publications. Out of the nine managers that were targeted in this study, eight were interviewed which represented a response rate of about 89% which was significant for the feasibility of this study.

3.4 Data Analysis

Before any analysis, the data was checked for completeness and consistency. The qualitative data collected was analyzed using conceptual content analysis. According to Nachmias and Nachmias (1960), this is as a technique for making references by systematically and objectively identifying specific characteristics of message and using the same approach to relate trends. The collected data was taken through a statistical package (SPSS) for data analysis. The coded data was then analyzed using statistical measures and the results were then presented using narratives, tables and graphs. The statistical package for social sciences (SPSS) was instrumental in establishing the data associations which will eventually lead to the conclusions in the event of the study.
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter covers data analysis, interpretation of findings and discussion of the research findings. Content analysis technique was used to decipher meaning from the data and presented in the form of narratives, tables and graphs to ease understanding. Primary data was collected from Barclays Bank of Kenya senior managers (directors). Eight out of nine directors responded. This represents a response rate of 89% which is adequate to base the conclusion on. The researcher used a semi-structured interview guide to conduct face to face interviews with eight directors who are charged with the responsibility of enforcing managerial policies along with setting strategies for Barclays bank of Kenya. The researcher also used secondary sources of data which is included in the Barclays’ annual reports, circulars, company website, Central Bank of Kenya’s annual reports, economic surveys and various other publications on the topic. Content analysis was used for a detailed analysis of the data collected.

4.2 Demographic Information

From the study, it was observed that all the respondents work in Nairobi i.e. director of human resource, finance, operations, corporate, treasury, compliance, consumer, corporate credit and the managing director. This would enable the directors to have frequent weekly meetings and discuss the strategy for the business. The study further revealed that all the directors except one director are based in one building- the head office. This would reduce time and travel cost wastage when coming together for strategy meetings or business review meetings. It was also noted that the country management committee is composed of nine members which include; eight males and one female. Majority of these members are aged between 40 to 50 years. All the
country management committee members have been in the bank for more than six years. This implies that the management team is composed of matured, highly skilled and experienced individuals. The study further revealed that the directors are well educated and have specialized in the fields in which they manage. The information obtained from the respondents is as summarized in table 4.1

Table 4.1 Case Summary of the Respondents’ Biodata

<table>
<thead>
<tr>
<th>Gender</th>
<th>Section of Business</th>
<th>Job Designation</th>
<th>Working Experience</th>
<th>Education Level</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Human Resource</td>
<td>Human Resource Director</td>
<td>More than Six Years</td>
<td>Postgraduate Level</td>
</tr>
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<td>Male</td>
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<td>Chief Operating Officer</td>
<td>More than Six Years</td>
<td>Postgraduate Level</td>
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<td>Corporate Director</td>
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<td>1</td>
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<tr>
<td></td>
<td>Credit</td>
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<td>1</td>
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<tr>
<td></td>
<td>Consumer</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td></td>
<td>Finance</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td></td>
<td>Managing Director</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<td></td>
<td>Risk and Audit</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Treasury</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>N</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Where N represents the total number of entries.

Source: Research Data (2012)
4.3 Rivalry in the banking industry

This section aimed at establishing the respondents view on whether rivalry in the banking industry is intense and the factors contributing to the rivalry. All respondents agreed that rivalry is intense. Factors such as price wars, technology development, increased advertisements and increased number of retails agents, were cited as the factors that contribute to rivalry.

4.3.1 Major competitive strengths

BBK major competitive strengths include: Large market shares, strong brand equity, technological know how, value added services and products, technical know how, financial resources and a pool of loyal customers.

4.3.2 Major actions being taken to compete effectively in the market

Findings from the study revealed that the respondents were employing various actions such as price cutting, innovative products and technologies, increasing on value added services, increased staff training and increase in number of retail agents.

4.3.3 Methods applied to stay competitive over the past one year

Findings from the study revealed that majority of the respondents cited cost reduction, product differentiation, quality services and products, wide range of products and services, continuous training of staff, continuous brand development, sales promotion and advertising, use of latest technology, enhancing distribution and concentrated efforts to build the organization reputation within the sector as the methods applied to stay competitive.
4.3.4 How the methods to stay competitive lead to competitive advantage

Findings from the study revealed that majority of the respondents cited that effective use of technology, reconfigured value chain, superior skills/capabilities of employees and brand equity lead to competitive advantage.

4.3.5 Strategies for sustainable competitive advantage

Table 4.2: The various competitive advantage strategies adopted at Barclays Bank of Kenya:

<table>
<thead>
<tr>
<th></th>
<th>Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cost reduction strategy</td>
</tr>
<tr>
<td>2</td>
<td>Outsource selected value chain activities</td>
</tr>
<tr>
<td>3</td>
<td>Integrate backward and forward</td>
</tr>
<tr>
<td>4</td>
<td>Initiate defensive strategic moves</td>
</tr>
<tr>
<td>5</td>
<td>Product differentiation strategy</td>
</tr>
<tr>
<td>6</td>
<td>Quality services and products</td>
</tr>
<tr>
<td>7</td>
<td>Strategic alliances</td>
</tr>
<tr>
<td>8</td>
<td>Market development</td>
</tr>
<tr>
<td>9</td>
<td>Continuous developing, existing and creating new resources and capabilities</td>
</tr>
<tr>
<td>10</td>
<td>Wide range of products and services</td>
</tr>
<tr>
<td>11</td>
<td>Establishing own hub to compete effectively</td>
</tr>
<tr>
<td>12</td>
<td>Allocating radical innovations</td>
</tr>
<tr>
<td>13</td>
<td>Continuous training of staff</td>
</tr>
<tr>
<td>14</td>
<td>Continuous brand development</td>
</tr>
<tr>
<td>15</td>
<td>Aggressive promotional campaigns</td>
</tr>
<tr>
<td>16</td>
<td>Product development</td>
</tr>
</tbody>
</table>

Source: Research Data (2012)

Table 4.2 above lists the strategies the organization adopts to remain competitive in the market. The costs of services and products need to be based on the market rate so that customers can be attracted to the low cost products and services. The bank
outsources selected value chain activities such as the telephone receptionists in order to cut costs on non-value adding activities and maintain its focus on its core activity, which is to offer financial services. The bank also integrates backward and forward, initiates defensive strategic moves, differentiates its products, offers quality services and products, forms strategic alliances, performs market development, develops capacities and trains staff and carries out aggressive promotional campaigns.

A GRAPH SHOWING RESPONSES FOR COMPETITIVE ADVANTAGE STRATEGIES
From the above graph, all the respondents preferred the following strategies:

Cost reduction strategy, product differentiation strategy, quality services and products, wide range of products and services, continuous training of staff and continuous brand development. 87.5% of the respondents preferred continuous developing existing and creating new resources and capabilities and 75% of the respondents preferred establishing own hub to compete effectively and product development, 62.5% of the respondents preferred the following strategies: Outsource selected value chain activities and allocating radical innovations 50% of the respondents preferred to initiate defensive strategic moves and aggressive promotional campaigns market development and strategic alliances had 62.5% of the respondents, that is, 37.5% for market development and 25% for strategic alliances. Only 12.5% of the respondents preferred the integrate back and forward strategy.

Table 4.3: Strategic methods applied by BBK to stay competitive in the Banking Industry

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pricing below the competition</td>
</tr>
<tr>
<td>2</td>
<td>Well trained personnel</td>
</tr>
<tr>
<td>3</td>
<td>World Class Customer Service</td>
</tr>
<tr>
<td>4</td>
<td>Keeping overhead cost lower than competition</td>
</tr>
<tr>
<td>5</td>
<td>Major expenditure on technology based delivery systems</td>
</tr>
<tr>
<td>6</td>
<td>Use of Latest Technology</td>
</tr>
<tr>
<td>7</td>
<td>Strict service and product quality control procedures</td>
</tr>
<tr>
<td>8</td>
<td>Diversified Product Portfolio</td>
</tr>
<tr>
<td>9</td>
<td>Enhancing Distribution</td>
</tr>
<tr>
<td>10</td>
<td>Efforts to build the organisation reputation</td>
</tr>
<tr>
<td>11</td>
<td>Promotional/ Advertising expenditure above the industry average</td>
</tr>
</tbody>
</table>

Source: Research Data (2012)
Table 4.3 above summarizes the strategic methods applied by BBK to stay competitive in the banking industry. From the interview, the researcher found that Barclays Bank adopted some strategies so as to remain competitive in the market. These strategies are: pricing below the competition, having continuous training personnel, exercising of world class customer service, maintaining overhead cost lower than competition, major expenditure on technology based deliver systems such as flexible operating system. Barclays also makes use of latest technology such as the Automated Teller Machines (ATMS) and mobile banking. There is strict service and product quality control procedures. A 24 hour contact centre has been established to enable customers access services at any time they need by just making a phone call to the call centre. Diversified product portfolio has been set to suit diverse needs of customers. Barclays has established a wide network of its retail outlet inorder to enhance distribution of its products and services. Reputation and image is very key for the organization. The Bank has also set aside a budget for promotions and advertisements.
From the above graph, all the respondents preferred the following strategies: Pricing below the competition, keeping overhead cost lower than competition, major expenditure on technology based delivery systems and use of latest technology. 87.5% of the respondents preferred World class customer service and 75% of the respondents preferred the following methods: Strict service and product quality control procedures, diversified product portfolio and efforts to build the organization reputation. 62.5% of the respondents preferred the following methods: Enhancing distribution and well trained personnel 50% of the respondents preferred the Promotional/ Advertising expenditure above the industry average strategy.
4.4 Challenges faced by the bank in applying the competitive strategies.

Rapid increase in competition poses a major challenge to firms, hence there is increasing need for efficient development of products that can quickly satisfy a more demanding customer base and build long-term customer trust. These challenges can be met by new business and marketing strategies that boost revenues, improve operational efficiency, cut costs and enhance the overall management of business. Barclays has come up with products covering all customer segments at very competitive rates.

Satisfying customer needs and expectations is very challenging to banks since customers have become more demanding and their loyalties are diffused if they think a bank is not serving them well. Customers have multiple choices; hence the wallet share is reduced per bank with demand on flexibility and customization. Given the relatively low switching costs, customer retention calls for customized service and hassle free, flawless service delivery to influence their choice. Barclays bank has to invest in consumer research to provide the basis for the development of new service concepts to meet targeted consumer needs.

Other challenges included keeping up with the technological changes, the high costs of maintaining quality service, the cost of attracting large numbers of customers, huge financial requirements, unpredictable government policies, imitation from other companies and the rapid changes in interest rates. From the study, all the respondents felt that adoption of competitive strategies was of value to the firm since it is the benchmark upon which the company's operations are done and without it the company has no future.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presented the summary of the key data findings, conclusions and recommendations drawn in the quest of addressing the research question. The chapter concludes by suggesting recommendations for adoption to ensure sustainable competitive advantage and also suggestion on areas for future research.

5.2 Summary of findings

The objective of this study was to determine the strategies Barclays Bank Kenya Limited adopts to achieve sustainable competitive advantage. The research findings shows that the bank has a strong brand, highly skilled employees, well differentiated products and services, wide market coverage among other resources that make it have a competitive edge above other industry players. It is for this reason is has manages to sustain operations for 95 years. Its successful operations have earned accolades over the past decade as a result of successful strategies. The study also showed that Barclays Bank has well formulated policies and procedures.

In summary, the study revealed that the interviewees are aware of the strategies adopted by Barclays Bank of Kenya in its process and the challenges that the organization is facing in the process of achieving its objectives. The interviewees are knowledgeable about the operation in the organization as they were engaged in the day to day management and operations of its strategy formulation and implementation of the firm. As a result of the above, the researcher felt that the results obtained form the interviewees reflects the true position as in the organization.
Barclays Bank operates in a complex, dynamic, highly competitive and regulated environment. It has responsibilities to shareholders, customers, employees and communities together with the underlying objective of the firm which is providing financial services in Kenya. Towards the attainment in this objective, the firm has endeavoured to modernize its infrastructure through the employment of new technologies and continuous training and maintaining workforce that is motivated and willing to steer the organization towards the attainment of the same objectives.

From the study, it was found out that the company vision as captured in the mission and vision statement, is the guiding tool in terms of focus. This is, to be the best retail and commercial bank for every customer, market, product and time. The company vision is cascaded to the very lowest post of the organizational structure and each section is mandated to set objectives and craft relevant strategies to achieve these objectives. It was also noted that the setting of objectives and requisite strategies is done in consultation with a senior staff and in this case a supervisor and a manager.

The study also revealed that each department has pre-set policies and guidelines that stipulate and gives direction as far as the running of each department is concerned. These guidelines are further cascaded downwards to respective sections which are the lowest administrative units within the organization.

Strategic planning at Barclays Bank of Kenya Limited is therefore a product of numerous company personnel. Senior management prioritizes objectives based on dependency and most critical objectives. All functions marshal their resources towards achievement of common objectives.

According to the respondents, there is strategy monitoring and evaluations at the bank. Monitoring of strategy is done at different levels, operational, functional and at
corporate level. Managers at operational level monitor their targets on monthly basis and measure the actual against the agreed target.

In pursuit of achieving suitable competitive advantage, the bank has faced a number of challenges. The rapid increase in competition poses a major challenge to firms. This has therefore led to the need for efficient development of products that can quickly satisfy a more demanding customer base and build long term customer trust.

It is difficult to satisfy the ever changing and diverse customer needs and preferences. Customers have high expectations and can easily switch to the services offered by the competitors. The bank is therefore forced to invest in market research to provide the basis for the development of new service concepts to meet targeted consumer needs.

5.3 Conclusion of the study

The bank faces the normal external environment challenges affecting all other banks in Kenya like: regulatory framework, competition, changing customer needs, technological advancement, globalization and standardization of products. Internal challenges exits like bureaucracy and strict internal controls restricting response rate to changes in the environment. However, with its big profit margins, strong brand name and international affiliations and recognition, the bank is able to attract high end clientele and operate efficiently and effectively.

Consistently the bank is positioned as a premier service provider serving the middle to upper customer segment. Its products and customer service are geared towards reinforcing this brand position in the eyes of the general public.
5.4 Limitations of the study

The study was limited to an individual organization and this may not provide appropriate information to policy formulators in the industry. The study only allowed for in-depth study at BBK and cannot be inferred to other organizations and show industry trends. The study was also limited by time, as the researcher had to work within a limited time span and thus meant that intense exposure to the subject variables may have been constrained.

5.5 Recommendations

The study can further be enriched to cover all the Barclays bank subsidiaries in different countries. This will establish if the strategies applied in one country is applicable in another, given the different operating environment.

The company should consider competing as a low cost leader in order to capitalize on the market share that it has currently. Given that the competitors are offering better deals in terms of prices, it is only a matter of time before this market share can be eaten up.

The study recommends that the company should be more aggressive now that the market is not a monopoly as before. This can be done by enhancing the network inefficiencies that sometime hinder the use of services for instances the system down time. More partnerships with financial service providers need to be entered into so as to increase the accessibility of funds by customers. For example partnership with Mpesa (a money transfer service that is offered by a mobile phone service provider).

This study aimed at contributing knowledge on developing sustainable competitive advantage by Barclays Bank of Kenya limited. The study highlights the strategies
adopted and the challenges faced in applying the competitive strategies. This study therefore, presents opportunities and best practices that the management in Barclays Bank of Kenya and other similar organizations can utilize to manage competition.

The industry can also use the results of this study to formulate organizational policies and frameworks that are relevant in the identification, implementation and monitoring of competitive advantage. The results of this study are also expected to have a positive impact on Barclays Bank of Kenya and help the organization grow in terms of market share.

5.6 Suggestions for further research

Researchers can conduct further study to establish competitive strategies employed by other banks. This will provide a proper framework to both the decision makers and policy formulators in the industry. Further studies may also be done on all Barclays bank subsidiaries in different countries. This will establish if the strategies applied in one country is applicable in another, given the different operating environment.
REFERENCES


http://www.pwc.com/ke/en/industries/banking.ihtml


http://vvww.slideshare.net/simandef/Kenya-banking-industry.


Appendix I: Letter of Introduction

The Respondent,
Barclays Bank Kenya Ltd
PO Box 30120-00100
Nairobi, Kenya.
24th June 2012

Dear Sir/ Madam

Re: Request for research data

I am a postgraduate student in the Faculty of commerce, University of Nairobi pursuing a Masters of Business Administration (MBA) program. I am undertaking a management research project as part of the post graduate requirement. The project that has been approved is: "Developing sustainable competitive advantage by Barclays Bank Kenya LTD". The project will explore in depth aspects of competitive advantage.

In order to carry out the research, you are among the very few selected to form part of the study that will be progressed through personal interview. You are therefore requested to assist by kindly granting an opportunity for the interview at your convenience. The information provided will be kept confidential and will only be used for the project's purposes. This is purely a qualitative research and no names will be printed. A copy of the final report will be given to you upon request. A copy of sample questions purely to assist in preparation is attached; your assistance and cooperation will be highly appreciated.

Yours faithfully,

Hawa Nyakio Ali                      Dr. John Yabs
MBA Student                         Supervisor
Appendix II: Letter of Introduction from the University

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

DATE T I A t

TO WHOM IT MAY CONCERN

The bearer of this letter A1.1.
Registration No. O6.1 (2006c
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

IMMACULATE OMOANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE
Appendix III: Interview Guide

SECTION A: General Background

1. In which region do you work

2. Respondent position/title

3. How long have you been in senior management?
   Less than one year ( )
   1-5 years ( )
   5-10 years ( )
   More than ten years ( )

4. Sex
   Male ( )
   Female ( )

5. Age Group
   Under 30 years ( )
   30-40 years ( )
   40-50 years ( )
   Over 50 years ( )

6. Highest educational level of respondent:
   Primary school level ( ) diploma level [ ]
   Secondary school level ( ) postgraduate level [ ]
   Undergraduate level ( ) certificate level [ ]
SECTION B: STRATEGIES FOR DEVELOPING SUSTAINABLE COMPETITIVE ADVANTAGE

7. Do you think there is high competition in the industry?
   (i) Yes
   (ii) No

8. What are the competitive strengths for your organization?

9. What major actions does your organization adopt to compete effectively in the market and how can they be improved to work towards the efficiency of the institution?

10. To what extent do you agree with the statement that your bank has good strategies to outperform other banking institutions?
    Agree        Disagree        Not sure

11. What methods has the organization applied in the last one year to stay competitive?
12. To what extent have the methods applied to stay competitive (as mentioned in question 11) lead to competitive advantage?

13. What strategies for sustainable competitive advantage has the organization adopted?

14. What are the strategic methods applied to stay competitive?

SECTION C: Challenges faced by the bank

15. What challenges does your organization face in applying the competitive strategies.