COMPETITIVE STRATEGIES ADOPTED BY BARCLAYS BANK OF KENYA LTD IN RESPONSE TO COMPETITION FROM MICROFINANCE INSTITUTIONS

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DECLARATION

This research project is my original work and has not been presented for a degree in 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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DEDICATION

This work is dedicated to my family members, who offered me moral and financial support throughout the process of conducting this study. God bless you abundantly.

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I wish to acknowledge all the individuals who assisted in various ways towards completion of this research proposal. Many thanks go to my supervisor **Mr Jeremiah Kagwe** for giving me the required guidelines all the way till I was through. My fellow classmates who assisted me in various ways cannot be forgotten since their contribution had a positive impact. I can't also forget the entire management of UoN for their cooperation towards providing library facilities where I accessed much information concerning this research study.

ABSTRACT

When operating in a turbulent environment firms usually have difficulty in coming up with the appropriate strategy that will ensure success in their entry mode and operations. Barclay Bank Limited is facing fierce competition from other Commercial banks as well as microfinance institution. In order to survive and remain profitable in the Banking industry, it becomes necessary for Barclays Bank of Kenya to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages held. Barclays Banks of Kenya has deployed various competitive strategies, which are fundamental function for it operation (BBKL, 2014). Empirical studies reveal that firms in different industries adopt different competitive strategies which are unique in each context. The study sought to investigate competitive strategies adopted by Barclays Bank of Kenya in response to competition from microfinance institutions. A case study research design was adopted. The study employed face to face interview as a primary data collection method. Content analysis was used to analyse the respondents' views about competitive strategies adopted by Barclays Bank of Kenya Limited in response to competition from microfinance institutions.The study concluded that Barclays Bank of Kenya Limited has been able to overcome competition from microfinance institutions by maintaining a low-cost leadership strategy, low-cost manufacturing and a workforce committed to the low-cost strategy. The study revealed that Barclays Bank of Kenya Limited has introduced different varieties of the services, in response to competition from microfinance institutions. The study revealed that Barclays Bank of Kenya Limited has been able to overcome competition from microfinance institutions by advancing to new geographical markets countrywide. This has enabled the Barclays Bank of Kenya Limited to maintain a wide customer outreach. The study recommends that commercial banks in Kenya should aim at achieving above-average returns over competitors through monitoring the costs of activities provided and maintaining low charges on services offered. The study recommends that commercial banks in Kenya should incorporate new technology in the industry so as to ensure that they improve on quality and efficiency in service delivery.

TABLE OF CONTENTS

DECLARATION ..... **ii**

DEDICATION ..... **iii**

ACKNOWLEDGEMENT ..... **iv**

ABSTRACT ..... **v**

ABBREVIATIONS AND ACRONYMS ..... **viii**

CHAPTER ONE: INTRODUCTION **1**

1.1 Background of the Study 1

1.1.1 Concept of Competition 2

1.1.2 Concept of Competitive Strategy 4

1.1.3 Commercial Banks in Kenya 6

1.1.4 Micro Finance Institutions in Kenya 7

1.1.5 Barclays Bank of Kenya Limited 8

1.2 Research Problem 9

1.3 Research Objective 10

1.4 Value of the study 11

CHAPTER TWO: LITERATURE REVIEW **12**

2.1 Introduction 12

2.2 Theoretical Review 12

2.3 Competitive Strategies 14

2.3.1 Cost Leadership Strategy 15

2.3.2 Market Focus 16

2.3.3 Product Differentiation Strategy 17

2.3.4 Grand Strategies 18

CHAPTER THREE: RESEARCH METHODOLOGY **20**

3.1 Introduction 20

3.2 Research Design 20

3.3 Data Collection 20

3.4 Data Analysis 21

CHAPTER FOUR: DATA ANALYSIS FINDINGS AND DISCUSSION 22
4.1 Introduction 22
4.2 General Information 22
4.3 Competitive Strategies Adopted By Barclays Bank of Kenya Limited 22
4.3.1 Cost Leadership Strategies 22
4.3.2 Differentiation Strategies 23
4.3.3 Grand Strategies 23

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .. 25
5.1 Introduction 25
5.2 Summary 25
5.3 Conclusion 27
5.4 Recommendations 28
5.5 Areas for Further Research 28

REFERENCES 29

APPENDICES 31
Appendix I: Interview Guide 31

ABBREVIATIONS AND ACRONYMS

ATMs	Automatic Teller Machines
MNC’s	Multinationals Corporations
R&D	Research and Development
RBV	Resource Based View
SPSS	Statistical Package for Social Science
TQM	Total Quality Management
UK	United Kingdom

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The environment in which organizations operate has become more volatile, unpredictable and very competitive. Ever increasing competition from other organizations and entry of other players in each sector of any industry necessitates the design of competitive strategies to guarantee their performance and gain a competitive edge (Porter, 1985). Strategists have to anticipate the reaction of others (Gerry and Kenan, 2002). Competition is neither a matter of coincidence nor bad lack as observed by Porter (1980). Infact competition is healthy to the development of any industry.

For organization's to remain competitive, they need the concept of strategic conflict model. This theory views competition as a war between rival firms. According to Schelling (1963), conflict is inevitable and one has to study the behavior that is associated with any form of conflict and behavior of rival firms. Burnes (2009) states that a firm can achieve competitive edge and more returns by influencing the behavior and actions of its rivals and thus, manipulate the market environment. Game theory is used to describe, predict and explain behavior (Dixit and Nalebuff, 1991). Game theory is a competitive process whereby the firm seeks to determine the rival's most likely counter strategy to their own strategies and thus formulates appropriate defensive measures (Camerer, 2001). Porter (1985) argues that firms create competitive advantage by conceiving new ways to deliver superior value to customers.

The banking industry in Kenya has witnessed a growing number of players competing head-on, thus to remain competitive, they have to formulate and implement strategies that will enable them attract and retain customers. Players in this sector have experienced increased competition over the last few years resulting from increased innovations and new entrants into the market like micro finance institutions. This has forced the commercial banks to use varying competitive strategies depending on whether they want to defend the existing markets or to enter into new ones, (CBK, 2014).

1.1.1 Concept of Competition

Competition is the act of striving against another force for the purpose of achieving dominance or attaining a reward. Competitive rivals are organizations with similar products and services aimed at the same customer group (Johnson and Scholes, 2002). According to Pearce and Robinson (2005), the essence of strategy formulation is coping with competition. The degree of competitiveness in an industry is not manifested only in the other players, rather, competition in an industry is rooted in its underlying economics, and competitive forces exist that go well beyond the combatants in a particular industry.

The state of competition in an industry depends on 5 basic forces, whose collective strength determines the ultimate profit potential of an industry. According to Porter (1980), these are the threat of new entrants, the bargaining power of customers/buyers, bargaining power of suppliers, threat of substitute products and rivalry among existing firms (Porter, 1980). Therefore, customers, suppliers, potential entrants and substitute products are all competitors that may be more or less prominent or active depending on the industry. It is extremely rare for an organization to be the sole supplier of a particular good or service. Therefore an organization needs to find out what their competitors are doing and predict what they might do in the future. These activities concern the competitive environment and organizations must remember to consider existing or potential competition from foreign as well as local organizations (Bauer and Colgan, 2001).

Given that organizations have competitors, they must consider how this competition can affect the organization and strategize on how to counter it. It is important for an organization to understand the competition because, not only will it enable them to identify segments of their customer base that might be at risk and to formulate a response; but also knowing who they are and how they react enables the organization to calculate their own competitive response to moves they may make. It also helps the organization to focus their efforts on those customers that represent a real or a potential threat rather than those who do not (Russell-Jones, 2004).

According to Churchill and Peter (1995), the nature of the competitive environment depends in part on the type of competition that occurs there; and economists and marketers describe four main types of competition. The first is pure competition, which occurs when similar products are offered, buyers and sellers are familiar with the market, and both buyers and sellers can easily enter the market. Competition here is almost entirely on the basis of price e.g. farm goods/products. The second type is Monopolistic competition, and this is when there are many sellers of a product and each has a relatively small market share e.g. banks. The competitors are able to differentiate their offers in whole or part and they focus on market segments where they can meet customer needs in a superior way and command a price premium. The third type of competition is oligopoly competition, and this is where the products are similar and a few sellers control most of the market e.g. air travel, oil and steel industry products, etc., which have high start-up costs; hence why there are small numbers of competitors. The products range from highly differentiated to standardize. The fourth type of competition is Monopoly, which is a market in which only one organization sells a good or service.

1.1.2 Concept of Competitive Strategy

Strategy according to Thompson and Strickland (2003) may be perceived as a combination of competitive moves and business approaches that managers employ to satisfy organizational vision and objectives. Whereas goals represent the ends which the firm is seeking to attain, strategy is the means to the end (Ansoff, 1990). A unique strategy contributes effectively to the competitiveness of business firms. Strategy has emerged since the 50s as a tool for reorienting the organizational thrust. Good strategy can contribute to growth, profitability, market penetration, cost-reduction, cutting-edge differentiation of products and sustainable competitive advantage of business firms (Prahalad and Hamel, 1990).

Competitive 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). Drucker (1969) defined strategy as the pattern of major objectives, purposes or goals and essential policies or plans for achieving these goals, stated in such a way as to define the business the company is in or is to be in. A competitive strategy is narrower in scope than a business strategy and concerns what a firm is doing in order to gain a sustainable competitive advantage. Boseman and Phatak (1989) argued that for a firm to remain vibrant and successful in the long run, it must make strategic decisions that take into account the impact the external environment has on its operations.

Competitive strategy is concerned with how a firm competes in a given industry (Grant, 1998). Thompson, Strickland and Gamble (2008) define competitive strategy as concerned with specifics of management’s game plan for competing successfully and securing a competitive advance over rivals. Ansoff and McDonnell (1990) define competitive strategy as a distinct approach, which a firm uses or intends to use to succeed in the market. Porter (1985) also defined competitive strategies as the search for a favourable competitive position in an industry, the fundamental arena in which competition occurs.

Competitive strategies have been classified into three types: cost reduction; innovation; and quality-enhancement. Others argue that there is only one essential factor in determining a competitive advantage; the ease with which competitors can enter or expand in a given market (Greenwald and Kahn, 2005). If a company can erect strong barriers to entry, through customer captivity, lower production costs, or economies of scale, it can manage these advantages, anticipate competitors' moves, or achieve stability through bargaining and cooperation. It is claimed that addressing barriers to entry is by far the most important activity in business strategy, and avoiding competition is the only way to escape an open playing field in which only the best survive and prosper.

Regardless of what strategy is implemented and used, the strategy has to be understood by employees at all levels of the company. This, in turn, leads to the customers understanding of what the company stands for. Since strategy is about being different, the company's strategy must become a cause. While businesses think in terms of products and derived values, the customer is looking for satisfaction. The key question is whether the strategy, product features, add-ons, and value creation lead to ultimate customer satisfaction.

1.1.3 Commercial Banks in Kenya

As at 31st December 2013, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 7 representative offices of foreign banks, 9 Microfinance Institutions (MFIs), 101 Forex Bureaus and 2 Credit Reference Bureaus (CRBs). Out of the 44 banking institutions, 30 locally owned banks comprise 3 with public shareholding and 27 privately owned while 14 are foreign owned (CBK, 2013). The number of bank branches increased by 8.9% from 1,197 in 2012 to 1,303 branches in 2013 indicating increased access to banking products and services.

The number of banks ATMs increased to 2,487 in December 2013 representing an increase of 106 ATMs. The banking sector registered enhanced performance in the year 2013, with a 15.9 per cent increase in the total net assets from Ksh.2.33 trillion in December 2012 to Ksh. 2.70 trillion in December 2013. Gross loans increased by 18.7 per cent from 1,330.4 billion in December 2012 to Ksh. 1,578.8 billion in December 2013. The source of funding in the banking sector, mainly customer deposits grew by

13.5 per cent from Ksh.1.7 trillion in 2012 to Ksh.1.94 trillion in December 2013. The growth was attributed to increased deposit mobilisation by banks as they expanded their outreach and opened new branches to tap new customers.

1.1.4 Micro Finance Institutions in Kenya

The Microfinance sector in Kenya is currently serving 6.5 million people with outstanding loans of US $ 310 million (amfikenya.com). Nyanjwa (2008) stated that Microfinance in Kenya is carried out by institutions with varied forms including companies, cooperative societies, trusts, Non-governmental organizations (NGOs) state corporations and informal operators such as moneylenders and ROSCAs.

According to Omino (2005) there are over 100 organizations in Kenya including 50 Non-Governmental organizations (NGOs) which practice some form of Microfinance. 20 of these organizations practice pure Microfinance while the rest practice Microfinance alongside social welfare activities. Kithinji (2002) noted that Kenya has had more exposure to microfinance than any other country in Sub-Saharan Africa, with micro-credit programmes dating back to the early 1980s. Omino lists the major players in this sector as Faulu Kenya, Kenya Women Finance Trust KWFT), Pride Ltd, Wedco Ltd, Small and Medium Enterprise Programme (SMEP), (Kenya Small Traders and Entrepreneurs Society (KSTES), Ecumenical Loans Fund (ECLOF) and Vintage Management (Jitegemee Trust). The Microfinance sector is licensed and regulated by the Central Bank according to the Microfinance Act (GOK, 2006). According to Ndulu (2010) the Microfinance sector regulation has adopted a 3 tiered approach which comprised a prudential regulation and supervision for deposit-taking institutions by the

Central bank, a non-prudential regulation for credit only by the Ministry of Finance and finally no regulation for ROSCAs and ASCAs

1.1.5 Barclays Bank of Kenya Limited

Barclays Bank PLC is one of the world's largest global financial services provider, it has 300 years of history and expertise in banking. Barclays Africa is the leading bank in Africa with businesses in several countries across Africa and also has business in several other countries in Africa where it has collaborative arrangements with other banks. Barclays Bank is the leading bank in Kenya having started operating in the country over 90 years. The bank was listed in the NSE in 1986 and currently has over 60000 shareholders. Financial strength coupled with extensive local and international resources have positioned BBK as a foremost provider of financial services. Barclays Kenya is currently the largest business unit in the Barclays family in terms of contribution to profit and size of operations. The bank has established an extensive network of over 119 outlets with 231 ATMs spread across the country. (www.barclays.com).

Barclays Bank is a multinational bank incorporated in the United Kingdom and has grown to be the dominant banking institution in Kenya, it has its network spanning all over Kenya. The bank has been able to tackle competitive challenges effectively for it to be and remain competitive (Mwarey, 2008). Barclays bank is one of the key players in Kenya's banking industry. The deregulation of Kenyan banking industry has increased levels of competition, this increase in competition has made demand on BBK. The bank has developed a range of products i.e. different types of saving and current accounts fit for high and low income earners. The bank also offers card and loan facilities e.g.

Barclay Card, Barclay Loan and even Scheme loans (Mutugi, 2006). Barclays bank also offers customer facing and support functions. Customer facing function include retail banking, corporate banking and merchant banking while support function includes service deliver, Human Resource, risk management, finance, treasury, communication and marketing. Barclays Bank contributes to the development of the banking industry in Kenya.

1.2 Research Problem

When operating in a turbulent environment firms usually have difficulty in coming up with the appropriate strategy that will ensure success in their entry mode and operations. Ansoff and MC Donnell (1990) state that successful environment serving organization are open systems in that continued organization survival depends on its ability to secure rewards from the environment which replenishes the resources consumed in the conversion process and also ensures social legitimacy. Banks with strong financial background have long realized this key operational aspect and their strategy is to deploy various based on prevailing demands. Success of any bank depends on implementation of deployed competitive strategies (Porter, 1980).

Barclay Bank Limited is facing fierce competition from other Commercial banks as well as microfinance institution. In order to survive and remain profitable in the Banking industry, it becomes necessary for Barclays Bank of Kenya to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages held. Barclays Banks of

Kenya has deployed various competitive strategies, which are fundamental function for it operation (BBKL, 2014).

A number of studies have been done on competitive strategies but under different contexts in Kenya. Murage (2001) analysed the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. Gathoga (2001) focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in Kenya use various means in order to remain competitive. He also concluded that expansion into other areas by opening new branches has also, been used as a strategy. Karanja (2002) did a survey of competitive strategies of real estate firms in the perspective of Porter's generic model. These studies reveal that firms in different industries adopt different competitive strategies which are unique in each context.

The current study aims to investigate competitive strategies adopted by Barclays Bank of Kenya in response to competition from microfinance institutions. The study therefore sought to answer the following research question, what are the competitive strategies adopted by Barclays bank of Kenya in response to competition from microfinance institutions?

1.3 Research Objective

The objective of the study was to establish the competitive strategies adopted by Barclays Bank of Kenya Limited in response to competition from microfinance institutions.

1.4 Value of the study

First and foremost, the findings of this study will be most useful to management on understanding of the various strategies adopted by commercial banks in responding to competition from microfinance institutions and also competitive strategies they could adopt so as to ensure that they stay competitive. This will help in improving their performance in form of returns.

To government institutions, the study will aid in policy formulation to improve productivity, setting up of appropriate institutional infrastructure geared towards improving the sector and acquisition and provision of appropriate technology and premises, including research and development.

To researchers and academicians, this research will provide an understanding of the nature of competitive strategies adopted by commercial banks in Kenya in response to competition from Microfinance institutions. This will be vital for future reference and will contribute to the available body of knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the literature concerning the competitive strategies adopted by Barclays Bank of Kenya Limited in response to competition from microfinance institutions. This review of literature establishes framework for the study and highlights the previous studies, which in turn, helps in clearly identifying the gap in the literature.

2.2 Theoretical Review

Over the years, numerous definitions for strategy have been advocated in support of game theory. Chandler (1962) defined strategy as the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of action and the allocation of resources necessary for carrying out the goals. Game theory has emerged as a predominant methodology for analyzing business strategy (Shapiro, 1989). It makes it possible to observe the behavior of rational players in a game and predict what decision they will make next. Game theory deals with the process of competitive interaction involving making decisions when two or more rational opponents are involved under conditions of conflict and competition. Players have to anticipate the reaction of others players (Gerry and Kenan, 2002).

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

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

Schmidt and Kochan (1972) define conflict by saying that a perceived opportunity exists for interfering with the other's goal attainment. Hocker (1985) defines conflict as an expressed struggle between at least two interdependent parties who perceive incompatible goals, scarce rewards, and interference from the other party in achieving their goals. The strategic conflict model portrays competition as war between rival firms with the phrase that no battle plan ever survived the first encounter with the enemy (Mintzberg, 1999).

According to Schelling (1963), conflict is inevitable and one has to study the behavior that is associated with any form of conflict and behavior of rival firms. Burnes (2009) views that a firm can achieve competitive edge and more returns by influencing the Behavior and actions of its rivals and thus, manipulate the market environment. The common theoretical contention of strategic conflict theory is that appropriative activities are rationally influenced by the opportunity cost of foregone production (Carter, 1999).

2.3 Competitive Strategies

Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM, benchmarking, and reengineering (Safford, 2005). Dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability. And gradually, the tools have taken the place of strategy. Njau (2000) argues that as managers push to improve on all fronts, they move further away from viable competitive positions. Porter argues that operational effectiveness, although necessary to superior performance, is not sufficient, because its techniques are easy to imitate. In contrast, the essence of strategy is choosing a unique and valuable position rooted in systems of activities that are much more difficult to match.

Hitt *et al* (1997) holds that a winning competitive strategy is always founded on consistently understanding and predicting changing market conditions and customer needs. The goal of much of business strategy is to achieve a sustainable competitive advantage. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Kombo, 1997). Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation.

2.3.1 Cost Leadership Strategy

This is one of Porter's generic strategies known as cost leadership (Malburg, 2000). This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1987, 1996; Cross, 1999). In order to achieve a low-cost advantage, an organization must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2000). The organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001). There are many areas to achieve cost leadership such as mass production, mass distribution, economies of scale, technology, product design, input cost, capacity utilization of resources, and access to raw materials (Malburg, 2000).

Porter (1985) purports only one firm in an industry can be the cost leader (Sy, 2002) and if this is the only difference between a firm and competitors, the best strategic choice is the low cost leadership role (Malburg, 2000). Lower costs and cost advantages result from process innovations, learning curve benefits, and economies of scale, product designs reducing manufacturing time and costs, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces, and markets a comparable product more efficiently than its competitors. The firm may have access to raw materials or superior proprietary technology which helps to lower costs. Cost leadership strategy seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs. To attain such a relative cost advantage, firms will put considerable effort in controlling and production costs, increasing their capacity utilization, controlling materials supply or product distribution, and minimizing other costs, including R&D and advertising.

2.3.2 Market Focus

The focuser's basis for competitive advantage is either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors. Focusing is based on selecting a market niche where buyers have distinctive preferences. The niche is defined by geographical uniqueness, specialized requirements in using the product or by special attributes that appeal to members, (Stone, 1995). A focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes. In the focus strategy, a firm targets a specific segment of the market (Porter, 1996). The firm can choose to focus on a select customer group, product range, geographical area, or service line (Martin, 1999). For example, some service firms focus solely on the service customers (Stone, 1995).

Focus also is based on adopting a narrow competitive scope within an industry. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy (Porter, 1980) depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms (David, 2000).

2.3.3 Product Differentiation Strategy

Differentiation strategies are marketing techniques used by a firm to establish strong identity in a specific market; also called segmentation strategy. Using this strategy, a firm will introduce different varieties of the same basic product under the same name into a particular product category and thus cover the range of products available in that category. Differentiation strategy can also be defined as positioning a brand in such a way as to differentiate it from the competition and establish an image that is unique, (Davidow and Uttal, 1989). Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price.

Firms that succeed in a differentiation strategy often have access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and corporate reputation for quality and innovation, (Baum and Oliver, 1992). Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable. The desired features are then incorporated into the product to encourage buyer preference for the product. The basis for competitive advantage is a product whose attributes differ significantly from rivals' products. Efforts to differentiate often result in higher costs. Profitable differentiation is achieved by either keeping the cost of differentiation below the price premium that the differentiating features command, or by offsetting the lower profit margins through more sales volumes, (Grant, 2000).

2.3.4 Grand Strategies

Firms may respond to increased competition by entering new markets with similar products. These could be markets they are currently serving or new geographical markets. Firms may also react to competitive forces by developing new products. This will be aimed at reducing risks through diversification as a means of responding towards competitive forces and could be related or unrelated. Related diversification may take the form of vertical or horizontal integration. In the face of increased competition, this has the benefit of cost reduction, defensive market power and offensive market power. Backward integration takes a firm closer to suppliers while forward integration moves it closer to its customers. Forward diversification may involve acquisitions of business not within the current product and market scope (Pearce and Robinson, 2007).

Firms can also respond to competition by collaborating with other players in the industry. Such collaborations take the form of strategic alliances, mergers and acquisitions, licensing, franchising among others. As argued by Harrigan (2002) strategic alliances are more likely to succeed when partners possess complimentary assets and thus a firm will seek knowledge it considers lacking but vital for the fulfilment of its strategic objectives. One traditional view is that in seeking and applying this relevant knowledge, a firm will furthermore need to possess a knowledge base in the same or similar area, since only such similarity will allow for an understanding of the intricacies of the new knowledge as well as of its applicability to the firm’s unique circumstances (Cohen and Levinthal, 1990). Differentiation is used by firms as a response technique to increased competition.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter focused on the research design, data collection and the data analysis.

3.2 Research Design

A case study research design was adopted. According to Kothari, (2006) a case study design is a way of organizing data and looking at the object to be studied as a whole, a case study makes a detailed examination of a single subject or a group of phenomena. Case approach helps to narrow down a very broad field or population into an easily researchable one, and seeks to describe a unit in details, in context and holistically, (Kombo & Tromp, 2006).

3.3 Data Collection

The study employed face to face interview as a primary data collection method. Primary data is data that has not been previously published, that is, data derived from a new or original research study and collected at the source. The researcher used the interview guide to gather information from the 7 selected top management staff of Barclays Bank of Kenya as they are the one aware of competitive strategies adopted by Barclays Bank of Kenya Limited in response to competition from microfinance institutions.

3.4 Data Analysis

This was done through content analysis to summarize the essential features and relationships of data in order to generalize and determine patterns of behaviour and particular outcomes. Mugenda and Mugenda (2003) defines content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. The content analysis was used to analyse the respondents' views about competitive strategies adopted by Barclays Bank of Kenya Limited in response to competition from microfinance institutions.

CHAPTER FOUR

DATA ANALYSIS FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the data analysis and interpretation of the study. The primary data was collected using an interview guide and analysis was done through content analysis to establish the competitive strategies adopted by Barclays Bank of Kenya Limited in response to competition from microfinance institutions.

4.2 General Information

The study found that interviewees were from both genders. The interviewees were requested to indicate their age. The study revealed that the age of the respondents ranges from 30 years to 45 years. The study further revealed that the interviewees had been working in their designation for between 2 years to 5 years. This shows that interviewees had served long enough in their capacity to give credible information to the study. The respondents also indicated that they had all achieved postgraduate degree as their highest academic qualification. These findings depict that the respondents were well educated to understand the questions and thus would give credible information related to the study. The interviewees indicated that they were from different departments such as ICT, forex, credit and customer care.

4.3 Competitive Strategies Adopted By Barclays Bank of Kenya Limited

4.3.1 Cost Leadership Strategies

The interviewees were requested to indicate whether Barclays Bank of Kenya Limited has adopted cost leadership strategies in response to competition from microfinance institutions. The interviewees indicated that Barclays Bank of Kenya Limited has to a great extent adopted cost leadership strategies in order to response to competition arising from the microfinance institutions. The interviewees indicated that the Barclays Bank of Kenya Limited ensures that it maintains a low-cost leadership strategy, low-cost and a workforce committed to the low-cost strategy. In order to achieve this, interviewees indicated that Barclays Bank of Kenya Limited is always willing to discontinue any activities in which they do not have a cost advantage as well as, considering outsourcing activities to other banks with a cost advantage.

4.3.2 Differentiation Strategies

On whether Barclays Bank of Kenya Limited has adopted differentiation strategy, the interviewees indicated that the bank has introduced different varieties of the services, in response to competition from microfinance institutions. By doing this, the respondents indicated that Barclays Bank of Kenya Limited is able to build up competitive advantage by offering unique services which are characterized by valuable features, such as quality services, innovation and customer service that are not provided by other microfinance institutions. The interviewees further indicated that Barclays Bank of Kenya Limited studies the customers' needs and behaviour in order to learn what they consider important and valuable.

4.3.3 Grand Strategies

The interviewees were requested to indicate whether Barclays Bank of Kenya Limited has adopted Grand strategies in response to competition from microfinance institutions. The findings revealed that the respondents agreed that Barclays Bank of Kenya Limited has to a great extent adopted Grand strategies in response to competition from microfinance institutions. In order to compete with the microfinance institutions, Barclays Bank of Kenya Limited has advanced to new geographical markets globally. Barclays Bank of Kenya Limited has adopted forward integration where it has been increasingly moving closer to its customers by putting up many Automated Teller Machines. The interviewees further indicated that Barclays Bank of Kenya Limited has responded to competition by collaborating with other players in other industries.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

From the analysis and data collected, the following discussions, conclusion and recommendations were made. The responses were based on the objective of the study. The researcher had intended to establish the competitive strategies adopted by Barclays Bank of Kenya Limited in response to competition from microfinance institutions.

5.2 Summary

The study revealed that Barclays Bank of Kenya Limited has to a great extent adopted cost leadership strategies in order to response to competition arising from the microfinance institutions. The study indicated that Barclays Bank of Kenya Limited ensures that it maintains a low-cost leadership strategy, low-cost manufacturing and a workforce committed to the low-cost strategy. In order to achieve this, findings revealed that Barclays Bank of Kenya Limited is always willing to discontinue any activities in which they do not have a cost advantage as well as, considering outsourcing activities to other banks with a cost advantage. Barclays Bank of Kenya Limited has been able to employ the cost leadership strategy enabling it to achieve above-average returns over competitors through low charges on services offered. To attain such a relative cost advantage, Barclays Bank of Kenya Limited has put considerable effort in reducing expenses incurred in service delivery.

The study unfolded that Barclays Bank of Kenya Limited has introduced different varieties of the services, in response to competition from microfinance institutions. By doing this, the bank is able to build up competitive advantage by offering unique services which are characterized by valuable features, such as quality services, innovation and customer service that are not provided by the microfinance institutions. The study further revealed that Barclays Bank of Kenya Limited studies the customers' needs and behaviour in order to learn what they consider important and valuable. Differentiation strategy has increased the contestability of Barclays Bank of Kenya Limited due to the advancement of technology. Barclays Bank of Kenya Limited has been able to overcome the challenges faced by most microfinance institutions, such as security breach, due to its advanced technology. Financial products, services and commodities are more transparent in Barclays Bank of Kenya Limited as compared to microfinance institutions.

The findings revealed that Barclays Bank of Kenya Limited has to a great extent adopted grand strategies in response to competition from microfinance institutions. In order to compete with the microfinance institutions, Barclays Bank of Kenya Limited has advanced to new geographical markets countrywide. Barclays Bank of Kenya Limited has adopted forward integration where it has been increasingly moving closer to its customers by putting up many Automated Teller Machines. The findings further revealed that Barclays Bank of Kenya Limited has responded to competition by collaborating with other players in other industries. For instance, Barclays Bank of Kenya Limited has been working with communication companies such as Safaricom Limited to enable internet banking. These services have made it easier for the customers to view their account information, download and print their bank account statements, carry out funds transfers, link their accounts (both credit card and additional bank accounts), carry out foreign exchange transactions, pay their utility bills, purchase airtime and load their MPESA, query foreign exchange and interest rates and sending and receiving emails to and from Barclays Bank.

5.3 Conclusion

From the findings, the study concluded that Barclays Bank of Kenya Limited has been able to overcome competition from microfinance institutions by maintaining a low-cost leadership strategy, low-cost manufacturing and a workforce committed to the low-cost strategy.

The study revealed that Barclays Bank of Kenya Limited has introduced different varieties of the services, in response to competition from microfinance institutions. Therefore the study concludes that by offering unique services from those of a competitor, an organization can be able to stand at an advantage of maintain the existing customers as well as attracting new ones.

The study draws further conclusions that Barclays Bank of Kenya Limited has been able to overcome competition from microfinance institutions by advancing to new geographical markets countrywide. This has enabled the Barclays Bank of Kenya Limited to maintain a wide customer outreach.

5.4 Recommendations

The study recommends that commercial banks in Kenya should aim at achieving above-average returns over competitors through monitoring the costs of activities provided and maintaining low charges on services offered. The study recommends that commercial banks in Kenya should incorporate new technology in the industry so as to ensure that they improve on quality and efficiency in service delivery. The study recommends that commercial banks in Kenya need to come up with policies that aim at delivering their services to customers who are in remote areas. By doing this, the banks will be able to expand the customer outreach and thus remain competitive in the industry.

5.5 Areas for Further Research

From the above findings, conclusion and recommendation the study recommends that an in-depth study should be carried to determine the challenges faced by commercial banks in implementing the competitive strategies.

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APPENDICES

Appendix I: Interview Guide

Section A: Demographic Information

1. Gender of the respondent?
2. What is your Age Bracket?
3. What is your highest level of education?
4. How long have worked in the organization?
5. Which is your area of operation?

Section B: Competitive Strategies Adopted By Barclays Bank of Kenya

6. Have Barclays Bank of Kenya Limited adopted cost leadership strategies in response to competition from microfinance institutions?
7. To what extent have Barclays Bank of Kenya Limited adopted cost leadership strategies in response to competition from microfinance institutions?
8. How does cost leadership strategies adopted by Barclays Bank of Kenya Limited help in in response to competition from microfinance institutions?
9. Have Barclays Bank of Kenya Limited adopted product differentiation strategies in response to competition from microfinance institutions?
10. To what extent have Barclays Bank of Kenya Limited adopted product differentiation strategies in response to competition from microfinance institutions?
11. How has Barclays Bank of Kenya Limited adopted product differentiation strategies in response to competition from microfinance institutions?
12. Have Barclays Bank of Kenya Limited adopted Grand strategies in response to competition from microfinance institutions?
13. To what extent has Barclays Bank of Kenya Limited adopted Grand strategies in response to competition from microfinance institutions?
14. How does that adopted Grand strategies help Barclays bank in response to competition from microfinance institutions?

THANK YOU FOR YOUR COOPERATION/