STRATEGIC RESPONSES BY BANQUE POPULAIRE DU RWANDA TO CHALLENGES IN THE EXTERNAL ENVIRONMENT

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DECLARATION

Declaration by the Student

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

Sign: .... Date: ...14.11.2011

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Declaration by the Supervisor

This research project has been submitted for examination with my approval as the University of Nairobi Supervisor

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DEDICATION

I dedicate this work to my father GASALI Aloys and my mother M.BAGEMA Juliet who have been supportive every stretch of the way during my project. Their prayers and guidance has been tremendous. Thank you for the immense support.

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ABSTRACT

Business, now-a-days is vitally affected by the economic, social, legal, technological and political factors. These factors collectively form business environment. Business environment, as such, is the total of all external forces, which affect the organization and operations of business. The environment of an organization has got internal and external environment. Managers must be aware of these environmental levels and their relationship and importance to the bank. To counter this, good strategic responses is very important. Strategic management asserts to match the ever scarce organization resources to the ever changing environment factors to have a strategic fit.

The purpose of the study was to establish the strategic responses by Banque Populaire du Rwanda to challenges in the external environment. The objectives of the study were to establish the strategic responses that BPR has adopted to changes in the environment and factors influencing BPR's responses to external environmental changes. The researcher used case study as research design, it was preferred because it is concerned with answering questions such as how much, what, which and who. Thus answering phenomenon in its current state, a case study was carefully designed to ensure complete description of the situation, making sure that there is a minimum bias in collecting of data and reduce errors in interpreting the data collected. The interviewer was the top management of BPR. The researcher found that macro environment affects strategy responses of the bank.

The respondents stated that political influence, technological advancement, economical factors which included interest rates and the global crisis affected strategy's responses of BPR.

The researcher further found out that legal factor affects the bank policies; they stated that legal factors included flexibility and adaptability of law and other legal rules governing the business. The respondents felt that the taxation by the Rwandan government was very high specifically the value added tax which lead to change of strategy. The bank (BPR) uses intensive and organization re-structuring strategy to counter the ever changing macro environment factors. It was recommended that all employees be involved in putting in action strategies of BPR in order to respond to the external environment. Organization should ensure that full steps of strategies are undertaken and every person department should play apart to put them in action.

In this study, we review the factors that enable or impede effective strategy's responses of BPR. We highlight how strategies have been researched so far and what kind of responses has been undertaken by the bank. As a result of our literature analysis, we found crucial factors which influenced strategy's responses of BPR such as economical, political, social and technological factors. Thus more research should be sought to establish factors affecting strategic responses to the internal environment.

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CHAPTER ONE

INTRODUCTION

1.1 Background

Rapid environmental change, globalization, competition to provide innovative products and services, changing customer and investor demands have become the standard backdrop for organization. In and efficiently, firms must constantly respond to the rapidly emerging environmental changes by reducing costs, acquiring modern equipments, restructuring programs while enhancing quality and differentiating their products and services (Chang and Huang 2004) .

Organizations must change as the business environment in which they operate change. This kind of approach will be prudent since it contributes to both performance enhancement and cost reduction thus contributing directly to the productivity of the organization

1.1.1 Environment Dependence

All organizations are environment serving. They depend on the environment for their inputs and outputs. Ansoff and McDonnell (1990) observed that environmental serving organizations are in constant two way interaction with the environment. They take an assortment of resources from the environment, add value to them and deliver back to the environment.

The environment is what gives organizations their means of survival. In private sector, satisfied customers are what keep an organization in business; in the public sector, it is government, clients, patients or students that typically play same role. However, the environment is also the source of threats (Johnson, Scholes and Whittington, 2008). Therefore, it is vital that managers analyze their environments carefully in order to anticipate and if possible influence environmental change.

Pearce and Robinson (2008), state that a host of external and often largely uncontrollable factors influence a firm's choice of direction and action and ultimately, its organizational structure and internal processes. These factors, which constitute the external environment, can be divided in two interrelated subcategories: those in remote environment and those in the more immediate operating environment. The remote environment is composed of a set of forces that originate beyond and usually irrespective of any single firm's operating situation that is, Political, Economic, Social, Technological, and Industry factors. It presents opportunities, threats, and constraints for the firm.

Bateman and Zeithaml (1993), state that all organizations are affected by the general component of the macro environment. They explained that each organization functions in a closer, more immediate task environment. The task environment comprises of the specific organizations with which the organization directly interact. The environment is viewed as constantly turbulent therefore organizations need to align themselves to these changes in order to remain competitive in the industry. The changes in macro environment tend to impact on all organizations within an industry and sometimes also within the markets served by the industry. These changes can determine the level of competitiveness with an industry. According to the systems view (Bartol and Martin, 1991), an organization is likely to be more successful if it operates as an open system that continually interacts with and receives feedback from the external environment.

1.1.2The Banking Industry in Rwanda

The Rwandan financial sector is made up of ten commercial banks; a development bank; a housing bank; a micro-finance bank; and many microfinance institutions; among other financial institutions operating in Rwanda there are insurance companies and the Social Security fund of Rwanda (CSR). Regulated by an independent Central Bank "Banque Nationale du Rwanda"(BNR). Banking service operations dated back in early 1960, originating from the oldest banks of "Banque Commerciale du Rwanda" (BCR) and Bank of Kigali (BK) respectively.

Recently, most commercial banks have centered their operations on trade finance as opposed to long-term debt financing. This has triggered off to lack of productive investment activity, thus there is urgent need to focus attention on the reform and strengthening of the financial sector. Therefore, appeal for introduction of more banks, financial products and capital market (National Bank of Rwanda annual Report, 2009)

With improved macroeconomic conditions and prospects, the banking industry in Rwanda is striving to diversify in geographical origin, corporate character and reach in the global financial markets, as well, to develop an inclusive financial market that operates on the financial principles of efficiency, stability and consumer protection, but also provides access to financial services to the majority of the population so that those individuals who want to can use them.

Joining the East African Community (EAC) means increasing competition to the Rwandan financial institutions, which will have to conduct business in a better way to remain sustainable in the integrated market. This means that their efficiency will increase and the population will be able to enjoy improved services as well as better and diversified products.

1.1.3 Banque Populaire du Rwanda (BPR)

BPR Bank of 1975 started of the first Banque populaire of NKAMBA in Kibungo – Eastern province. This was followed by the establishment of many others around the country. In 1986 the various autonomous Banque Populaire du Rwanda formed an umbrella called Union des Banques Populaires du Rwanda (UBPR) with a cooperative mission. From January 2008 basing on its strong experience of 33 years in the Rwandan financial sector, UBPR was transformed from a cooperative Bank into a commercial bank "Banque Populaire du Rwanda S.A." BPR's vision is to be the leading retail bank of Rwanda and its mission is to offer a full range of financial services in the urban and rural areas in a market driven and financially sustainable way; based on cooperative characteristics.

Special attention will be given to farmers, agribusiness enterprises, private individuals and micro as well as small and medium enterprises. However like any other bank BPR is environmental dependant, it relies on both internal and external environment to carry out its activities. It has constantly to understand the environmental influence and continuously adjust its way of doing business to much the changes (Banque Populaire du Rwanda annual reports, 2009).

1.2 Statement of the Problem

According to Ansoff and McDonnell (1990), organizations are environment dependent and environment serving. They take an assortment of inputs from the environment, transform the inputs to finished products and services, and deliver their outputs back to the environment. They therefore affect and are affected by what happens in the external environment, which is beyond the organization's control. Environment change creates pressure for change in the organization and this means that they have to respond to relevant external change to ensure that they survive.

Banque Populaire du Rwanda as any other business venture has faced and is still facing various challenges as a result of environmental changes. External environment challenges in terms of technological changes, economical changes, political changes, legislation and socio-cultural changes among others must have made BPR adopt various responses that countered these challenges.

Previous researches on strategic responses were most of them applied to Kenyan companies. For instance, Angara (2010), strategic responses adopted by KCB to changes in the environment. Murethi (2010), strategic responses by NIC Bank in Kenya to changes in external environment. Jobiwott (2008), strategic responses by Barclays Bank of Kenya limited to the changes in the environment. Muthoni (2008), strategies responses to changing environmental conditions case of Commercial Bank of Kenya. Wairimu

(2008) strategic responses of Barclays to challenges in the external environment. Gitau (2009) strategic responses by Citibank limited to external environment challenges. Machau (2009) strategic responses to changes in the external environment: case of Commercial Banks in Kenya. Muhoro (2009) strategic responses by Commercial Bank of Africa to change in its environment. Mwangi (2009) strategic responses by Chase Bank Kenya to environmental changes in the banking sector.

The above studies have focused on various industries and sectors in Kenya but none of the studies have gone beyond Kenya boundaries. It is in this light that this study seeks to fill the existing gap in this area of study by analyzing the strategic responses by Banque Populaire du Rwanda (BPR) to changing environmental conditions. Therefore this study sought to find out how BPR has responded to changes in the external environment and what are the factors that have influenced BPR to respond to the challenges. Thus the researcher endeavored to answer the following research questions;

i. What are the strategic responses that BPR has adopted to changes in the environment?

ii. What are the factors influencing BPR's responses to external environmental changes?

1.3 Research objectives

This study has two objectives. These are;

i. To establish the strategic responses that BPR has adopted to changes in the environment

ii. To establish factors influencing BPR's responses to external environmental changes

1.4 Value of the study

The findings of the study will expect to be of particular importance to the management of banque populaire du Rwanda (BPR) to assist their understanding to the changes in the business environment, and influencing the changes. The research will also be vital for researcher and scholars in the field of strategic as they will use the information as a basis for further research and thus expand the knowledge base in banking study.

The research findings will be of value to the business community and industry players who will have available information on strategic responses to the ever complex and dynamic environment.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter defines and discusses the principal concepts of the study such as strategic responses , strategic management concepts in business environment.

2.2 Concept of Strategy

Strategy is about winning (Grant, 2000). While there is no dispute regarding the importance of strategy in business management, there does not appear to be any agreement as to what exactly is strategy or how exactly the winning is achieved. Indeed, there are as many approaches to strategy but none are universally accepted (Stacey, 2003). Likewise Ansoff, (1999) says that strategy is an inclusive and somewhat abstract concept. Johnson et al (2008) define strategy as the direction and scope of an organization over a long term which achieves advantages for the organization through the configuration of the resources within a changing environment to meet the needs of the market and fulfill stakeholder expectations. Chandler, (1962) strategy is the establishment of long term goals and objectives of an organization, including the taking of actions and allocation of resources for achieving these goals.

According to Johnson et al (2008) there are three levels of strategy: corporate level of strategy concerned with the future direction of the company, business level strategies are concerned with sustainability of different portfolios, while operational level strategies are concerned with shop floor delivery system and procedure. From the forgoing it is clear that environment is over changing and tends to be turbulent and discontinuous. Firms are therefore called upon to strategically look at the long term. Hence strategy needs to be well defined since it would determine and communicate the direction in which the organization will move and the level of performance it will achieve.

Porter (1980), states that strategy is basically about competition and the means by which an organization fights to gain a competitive advantage. According to Ohmae, (1983) the only purpose of strategic planning is to empower an organization to efficiently gain a sustainable competitive edge over its competitors. Therefore, corporate strategy implies to change, in the most efficient way, a company's strength relative to that of its competitors.

2.3 Organization and Environment

As stated earlier organization have to continually interact with the environment as it is the resource of its inputs and depository of its output creating harmony in the strategy of the organization.(Sababu, 2007). Porter (1998), states that "the essence of formulating competitive strategy is relating a company to its environment. Although the relevant environment is very broad, encompassing social as well as economic forces, the key aspect of the firm's environment is the industry or industries in which it competes".

Pearce et al (2008) describes external environment as all conditions that affect strategic option but which are beyond the firms control. Forces at work in the external environment are dynamic and include political, economical, technological and social factors (Kotler and Amstrong, 1991). The external factors influence an organization's choice of direction and action and constitute the external environment which can be categorized as remote, industrial and operating environment

Economic variables have a direct impact on the potential attractiveness of various strategies. Organizations therefore should look at the relationship between its activities and economic variables which include: inflation and deflation and their effects, the economic policy of the country they are operating in, the taxation policy on profits, employees and goods sold, the stage of the trade cycle and the economic mood of the country affecting its investments (Sababu 2007).

Political legal variables covers the activities of the state through its legislature and law enforcement agencies impinge considerably on the organizations; businesses, public bodies and charities are all affected by government fiscal and economic policies, and all have to operate within the law of the land (Cole, 1997). At both national and local levels the government affects an organization's activities on a daily basis through its policies and authority and its strategy decisions by creating opportunities and threats arising from the structure of the industry. This is through the imposed taxes, monopoly and restricted trade practice. The government is a large supplier of fiscal and trade benefits and at the same time a large customer and can therefore affect the running of businesses (Sababu, 2007). It can also protect local business entities from foreign competition by enacting competition legislations.

Demographic variables are human attributes of a given community. This may include one's age, gender, family life, life cycle experience, income, education, occupation, religion, ethnic groups, and nationality (Sababu, 2007). These factors guide organizations in selecting the kind of products or services that should be offered to a particular population at a given point in time. For instance banks have come up with products which are favorable to the Muslim community, students, children, women, high and low income earners.

Technological variables also affect the running of organization. Rapid development in technology can exert a powerful influence on all organizations (Cole, 1997). Today every organization has adopted the concept of Information and Communication Technology (ICT) to ensure its operations are efficient. A firm should take note of technological changes affecting its industry to avoid obsolescence and instead promote innovation. Creative technology helps products on manufacturing and marketing techniques. Technology helps in increasing job effectiveness and efficiency.

According to Pearce and Robinson (2008), social cultural variables which affect an organization involves beliefs, values, attitudes, activities and lifecycles of persons in the organizations external environment as developed from cultural, ecological, demographic, religious, educational, and ethical conditions. These factors tend to change and dictate an individual want and needs. Changes in these variables shape the way people live, work, produce and consume commodities and therefore an organization must aim at providing service or products that will meet to these needs. For instance banks change children

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savings accounts to normal savings accounts once the children turn the age of eighteen ensuring continuity in proving the services they were offering and also maintaining loyalty as the children will continue banking with them even when they are operating the accounts independent of their parents.

Ecological factors also affect organizations and the industry within which they operate. Ecology refers to the relationship between human beings, living things and physical surroundings. The interaction between the two has a bearing on the organization as it can result to air, water or solid waste pollution. Business should work at eliminating the pollutants and efficiently and effectively manage surroundings (Sababu, 2007).

Physical or geographic variables include the infrastructure for a business to operate efficiently, climatic factors and the typography surrounding the area within which a business is located and operating from. Poor infrastructure may result to high cost in business operations which trickle down to the consumer. This in turn discourages the customers from seeking the services being rendered. Location and positioning an organization is therefore key in ensuring that it operates cost effectively and at the same time remains competitive.

Industry environment variables also affect the organization's running. Sababu (2007) lists the key industry variables of organizations as competitors, suppliers, creditors, and customers. Every organization should analyze the competitive forces in the industry. An organization should deploy resources so that they can make a profit level in excess of what is normal in the industry. According to Porter's five forces model, the competitive forces in an industry include the threat of new entrants, threat of substitute products, bargaining power of suppliers, bargaining power of buyers and the industry competitors. The easier it is for new companies to enter the industry, the more the cut-throat competition there will be.

The possibility of new firms entering an industry impacts competition. The most attractive segment has high entry barriers and low exit barriers. Although any firm should be able to enter and exit a market, each industry often presents varying levels of difficulty, commonly driven by economics. Manufacturing based industries are more difficult to enter than many service-based industries. The definable characteristics of each industry protect profitable areas for firms and inhibit additional rivals from entering the market. These inabilities are referred to as barriers to entry (Sababu, 2007).

Availability of substitutes considers the likelihood of a customer or client switching to a competitive products or services. If the cost of switching is low, then this poses a serious threat. Porter's five forces models refers to substitute products as those products that are available in other industries that meet an identical or similar need for the end users. As more substitutes became available and affordable, the demand becomes more elastic since customers have more alternatives. Existence of close substitutes presents a strong competitive threat limiting the price a company can charge and thus its profitability (Hill and Jones, 2001).

Harvey (1988) states that bargaining power of supplier can pressure on participants in an industry by raising prices or reducing the quality of purchased goods and services. According to Thompson and Strickland(1989) a group of supplier firms has more bargaining power over an industry's producers when supplier's products are differentiated to such an extent that it is difficult or costly for users to switch from one supplier to another, when the buying firms are not vital customers of the suppliers, when, to raise prices, the supplier can use the threat of vertically integrating forward into the industry, when buying companies cannot use the threat of vertically integrating backward and when the supplier of an input do not have to compete with substitute inputs suppliers in other industries. Thompson and Strickland further state that the powerful suppliers can squeeze the profits of a customer industry via price increases which the latter is unable to pass on fully to the buyers. Supply of poor quality items or materials can also lower industry profits.

Bargaining power of buyer is how much pressure customers can place on a business. If one customer has a large enough impact to affect a company's margins and volumes, then they hold substantial power. According to Hill and Jones (2001) buyers are most powerful when the supply industry is composed of many small companies and the buyers are few in number and large, when the buyers purchase a large quantities, when the industry depends on the buyers for a large percentage of its big orders, when the buyers can switch orders between supply companies at low cost, when it is economically feasible for the buyers to purchase the inputs from several companies at once and when the buyers can use the threat to supply their own needs through vertical integration as a device for forcing down prices. According to Thompson and Strickland (1989), a firm can enhance its profitability and market standing by seeking out customers who are in a comparatively weak position to exercise adverse power.

Competitive rivalry describes the intensity of competition between existing firms in an industry. Highly competitive industry generally can low returns because the cost of competition is high as firms strive to secure a competitive advantage over their rivals. Hill and Jones (2001) state that when rivalry is strong, significant price competition, including price wars may result this limits profitability by reducing the margins that can be earned through sales. The intensity of rivalry varies within each industry and these differences are important in the development of strategy. The extent of rivalry among established companies within an industry is mainly determined by the industry competitive structure, demand conditions and the height of exit barriers in the industry.

Cole (1997) states that the collective strength of these five forces not only determines the intensity of the competition for one firm, but also determines the potential profitability of the industry as a whole. Competition should aim at gaining superior positions over the rivals. Sababu (2007) identifies some decision concerns in industry competition as product differentiation, low cost venture, serving several market segments and focusing on few markets segments. Major suppliers in the industry also determine organizations operations, since organizations rely on their suppliers on provision of raw materials, merchandise, services, finance, long-term assets, water, power, and telephone facilities to enable it to function. A supplier is said to be powerful if his products are unique and differentiated, attracting a large clientele in the industry (Sababu, 2007).

Customers are the most vital in any organizations continually monitor present and potential customers buying patterns to ensure that existing customers remain loyal to them and at the same time they attract new customers. Various studies have shown that it is more expensive to obtain a new customer than to retail an existing one. Business should thus improve on customer retention by developing and managing customer relationships, eventually achieving customer loyalty.

2.4 Strategic Responses

Pearce and Robinson (2008), define strategic responses as the set of decisions actions that result in the formulation and implementation of plan designed to achieve a firm's objectives. Organizations are environment dependant. All business firms exist in an open system that is affected by external conditions that are largely beyond their control. Therefore to successfully position a firm in a competitive situation, its strategic managers should look beyond their operations they must consider the relevant others.

Aosa (1992) noted that industries are responding to customer's demand by becoming more innovative in their new ways of approaching the changed environment. They adopt strategies such as improved customer services, credit facility, post-paid cards and provision of convenience goods and services. Rapid technological change has created a new business where innovation has become a top competitive strategy. According to

Ansoff and McDonnell (1990), increased competition has created fundamental shift in economic environment whereas no organization can hope to stay afloat if it fails to come up with proper strategic responses. Ansoff and McDonnell (1990) further noted that strategic responses involve change in the firm's strategic behaviors to assure success in transforming future environment.

2.5 Grand Strategies

Pearce et al (2008) argue that grand strategies, often called master or business strategies provide basic direction for strategic actions. They are the basis of coordinated and sustained efforts directed toward achieving long – term business objectives. Organizational structure is one of the strategic responses to the environmental turbulence. The strategic restructuring process encompasses internal self- assessment to identify the non- core and core business. This restructuring or reorganization is intended to create value to the external customers and therefore improve it service delivery. It reduces fragmentation by crossing traditional departmental lines and reducing overhead to compress formerly separate steps and tasks that are strategically intertwined in the process of meeting customer needs (Ansoff, 1987).

A well done restructuring, enables all departments to the process feel heard, understood, and include. The process should not drag out indefinitely, should be organized and fruitful. The road to implementation should be clear to everyone involved, and the new or restructured organization should move forward with confidence and optimism after matching structure to strategy.

Diversification is a form of growth marketing strategy for a company. It seeks to increase profitability through greater sales volumes obtained from new products and new markets, often described as economies of scope, by contrast to economies of scale. A good opportunity is one in which the industry is highly attractive and the company has a mix of business strengths to be successful. The company can pursue horizontal diversification through new products technologically unrelated to its current product line but appeal to current customers. This strategy tends to increase the firm's dependence on certain market segments. Finally the company might seek new businesses that have no relationship to its current technology, or markets thus conglomerate diversification strategy in order to improve the profitability and flexibility of the company (Kotler, 2003).

Turnaround strategy situation represents absolute and relative to industry declining performance of a sufficient magnitude to warrant explicit turnaround actions. Turnaround has been used to revive firms that have declining profits over a period of time. This type of strategic response typically concentrated more on cost reduction and asset reduction. The main causes that lead to turnaround situation in business severity are both internal factors and external factors. According to Pearce et al (2008) turnaround responses among successful firms include two stages of strategic activities: retrenchment and recovery response. Retrenchment consists of cost – cutting and asset – reducing activities to stabilize the firm's financial position. Recovery response is associated with firms whose decline is primarily as a result of external problems. Firms with internal problems have to improve their internal inefficiencies to recover.

Marketing strategy as response is a process that can allow an organization to concentrate its limited resources on the greatest opportunities to increase sales and achieve a sustainable competitive advantage. An excellent way to analyze marketing as a strategic response is to use the product – market expansion grid by Ansoff (1957). The company first considers whether it could gain more market share with its current product in their current markets (market-penetration strategy). The next is whether it can find or develop new markets for its current products (market-development strategy). It then considers whether new products of potential interest to current markets (product- development strategy) and finally review opportunities to develop new products for new markets (diversification strategy).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the research design that was used to achieve the objective of the study which is to establish the environmental changes affecting Banque Populaire du Rwanda and to determine the strategic responses adopted to its environmental changes.

3.2 Research Design

The research used descriptive research design and case studied Banque Populaire du Rwanda. The aim was to equip the researcher with in-depth information on how BPR as an organization responds to turbulence in the external environmental conditions. The descriptive research design was appropriate research design as it undertook an in-depth analysis of BPR as a unit hence facilitated intensive study of the same.

Kothari (1990) defined a case study as a very popular form of qualitative analysis and involves a careful and complete observation of a social unit, be that unit is a person, a family, an institution, a cultural group or the entire community. A case study design deals with the processes that take place and their internationalism.

3.3 Data Collection

Primary and secondary data was collected for the study. The primary was gathered using the interview guide. The respondents were selected from top management positions of BPR. Secondary data was derived from strategic management reports and other various statutory reports. The relevance of these data provided information on strategies that BPR uses to survive turbulence in the business environment in which it operates.

3.4 Data Analysis

The content analysis technique was used to analyze the responses obtained from the interviews. Kothari (2004), argues that content analysis is a central activity whenever one is concerned with the study of the nature of the verbal materials. Qualitative analysis of data was also used.

The data was analyzed by using tabulation. The researcher compared the number of respondents to the corresponding percentages and interpretation was base on both numbers and percentages. The findings emerging from the analysis was used to compile the report.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents a summary of the main findings of the study giving conclusions which attempted to achieve strategic responses that BPR has adopted to changes in the business environment and the factors influencing BPR's responses to external environmental changes.

4.2 Respondents Profile

The respondents in this case were the top level managers who were directly involved with developing strategies of their respective department which had an outlook of the organization strategic plan. The top level managers were selected because of their in depth understanding on issues pertaining the operation and strategic management of the bank. All the respondents were based at the headquarter's of the bank in Kigali, Rwanda. Their experience in the organization and education background proved to be a great source of knowledge and information on the topic understudy.

4.3 Characteristics of the Informants

The researcher targeted the top management of the BPR, who composed of the CEO and his eight divisional heads who directly reported to the CEO and the CEO reports to the board of governors. 80% of the top management were male and the remaining others were female. Majority of the managers have worked in the organization for more than 7 years.

4.4 Environment Factors Affecting Operating Environment Of BPR

Environmental factors affects each and every organization, BRP is not excepted. Pearce et al (2008) describes external environment as all conditions that affect strategic options but which are beyond the firms control. Forces at work in the external environment are dynamic and include political, economical, technological and social factors, this were the same factors that were echoed by the respondents.

4.4.1 Political Environment

Political covers the activities of the state through its legislature and law enforcement agencies impinge considerably on the organizations, majority of the respondents asserted this. They further affirmed that businesses, public bodies and charities are all affected by government fiscal and economic policies, and all have to operate within the law of the land.

Further, the respondents stated that BPR is affected by stability of the government, where by the opposition is always in constant fight with the government and often times the political temperature is high. The respondents affirmed that Government type (dictatorship, democratic), economic policy of the government, which include elimination of bureaucracy, trade policy and diplomatic events in surrounding countries have all affected the BPR political environment.

4.4.2 Economic Environment

Majority of the respondents affirmed that economic environment refers to the aggregate of the nature of economic system of the country, the structural anatomy of the economy to economic policies of the government the organization of the capital market, the nature of factor endowment, business cycles, the socio-economic infrastructure etc. The successful businessman visualizes the external factors affecting the business, anticipating the prospective market situations and makes suitable to get the maximum with minimize cost.

Majority of the respondents stated that economic environment include the macro and micro economic factors that are concerned primarily with the forecasting of national income, through the analysis of major economic factors that show predictable patterns and trends, and of their influence on one another. They concluded that these factors include level of employment/unemployment, gross national product (GNP), balance of payments position, and prices (deflation or inflation). The respondents also asserted that interest rates play a big role in the economic dimension of the bank.

4.4.3 Social Environment

The respondents stated that environment of a nation determines the value system of the society which, in turn affects the functioning of the business. Thus the sociological factors such as costs structure, customs and conventions, cultural heritage, views towards wealth and income and scientific methods, respect for seniority, mobility of labour etc. have far-reaching impact on the BPR as a business entity.

These factors determine the work culture and mobility of labour, work groups etc. For instance, the nature of goods and services to be produced depends upon the demand of the Rwandan people which in turn is affected by their attitudes, customs, cultural values and fashion. Majority of the respondents stated so. Socio-cultural environment determines the code of conduct the business should follow. The social groups such as trade unions or consumer forum will intervene if the business follows the unethical practices. For instance, if the bank is not paying fair wages to the employees. Thus the bank is obliged to adjust to suit the social environment demands if it wants to achieve optimum profit

4.4.4 Technological

The business in a country is greatly influenced by the technological development this was the assumption made by the respondents. The technology adopted by the industries determines the type and quality of goods and services to be produced and the type and quality of plant and equipment to be used. Thus the respondents affirmed that technological environment influences the business in terms of investment in technology, consistent application of technology and the effects of technology on markets. This advancements in automation and information technology have posed the challenging situation for the organization in future.

4.4.5 Legal

The respondents stated that legal environment includes flexibility and adaptability of law and other legal rules governing the business. The respondents felt that the taxation by the government is high.

4.5 Strategic Response to Change Of Operating Environment

4.5.1 Intensive Strategies

Strategy is about winning (Grant, 2000). While there is no dispute regarding the importance of strategy in business management, there does not appear to be any agreement as to what exactly is strategy or how exactly the winning is achieved. Indeed, there are as many approaches to strategy but none are universally accepted (Stacey, 2003). The organization uses intensive strategies which include market penetration, market development, and product development. A market-penetration strategy seeks to increase market share for present products or services in present markets through greater marketing efforts. Market penetration includes increasing the number of salespersons, increasing advertising expenditures, offering extensive sales promotion items, or increasing publicity efforts which were all confirmed by the respondents, They further asserted that the bank uses market penetration to maintain market share.

According to the respondents, product development is a strategy that seeks to increase sales by improving or modifying present products or services. Majority of the respondents asserted that product development usually entails large research and development expenditures. The respondents asserted that developing new market is a challenging task that is accomplished by marketers when they follow various strategies by innovative ways. The intensive strategy developed by the bank is to make it different and difficult for her rivals to copy and implement some of its product. Thus if an organization effectively makes a product different from her competitors, then the success is for the organization, such success from the respondents included Enhancement of technology , innovation, effectiveness and efficiency which are some of the basic as well as important tools that the banks gets and considered when they developing or re engineering their product.

Thus the researcher affirms that these elements will make a product or service different from others and will be the best one to cater the needs and demands of the niche market and consumers. Fulfilling needs and demands of your consumers is the foremost duty and it can only be accomplished by providing something unique and different to them, which are only got after getting your strategic fit and following the processes of strategic management to the latter.

4.5.2 Organization Re-structuring

Organizational structure is one of the strategic responses to the environmental turbulence. The strategic restructuring process encompasses internal self- assessment to identify the non- core and core business. This restructuring or reorganization is intended to create value to the external customers and therefore improve it service delivery. The respondents asserted that the bank has re structured twice in the last 6 years and due to the its financial performance.

According to the respondents, the researcher affirms that the strategies adopted by BPR have affected the operation environment of the bank. Intensive strategy affects economical environment. Organization re restructuring affects technological and social environment. The respondents acknowledged that BPR acquired a small micro finance that served the rural population of Rwanda. In doing this, the bank was forced to restructure its operation and her management team to accommodate the acquisition of Tajingo Du Rwanda Microfinance. In this acquisition, the bank was also implementing a growth and a competitive strategy. This strategy of restructuring was combined with growth and competitive strategy the respondents affirmed the same.

The economic rationale of restructuring is the premise that there really are only two ways to make money in a firm, either you cut on cost or you down size. According to the respondents the bank has struggle to enhance their competitive positions, employment downsizing continues as a preferred part of a restructuring strategy. Its objective is to reduce operating costs as a way of increasing earnings and reduction of labour cost.

In contrast to employment downsizing, a strategy that regards people as costs to be cut, a responsible restructuring strategy focuses on people as assets to be developed. This focus recognizes that people are the source of innovation and renewal, especially in knowledge-based organizations, and that the development of new markets, customers, and revenue streams depends on the wise use of a firm's human assets thus the bank uses affirmative steps when restructuring.

4.6 Challenges Affecting the Development and Implementation of Strategies

Although formulating a consistent strategy is a difficult task for any management team, developing and making that strategy work and implementing it throughout the bank is even more difficult. These factors can potentially affect the process by which strategic plans are turned into organizational action. Unlike strategy formulation, strategy implementation is often seen as something of a craft, rather than a science.

It is thus not surprising that, after a comprehensive strategy or single strategic decision has been formulated, significant difficulties usually arise during the subsequent implementation process. Majority of the respondents stated that strategy implementation is a key challenge for today's organizations. There are many factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control.

Majority affirmed that Organizational levels can be distinguished. They are: corporate level, strategic business unit (SBU) level. functional level, operational level and mixed levels such as corporate and SBU level, SBU and functional level, inter-functional levels, corporate-SBU-functional levels This level affect the development and implementation of strategies. They also affirmed that the macro and micro environmental factors affect the implementation and development of strategies. Organizational types also affects implementation, these are the characteristics of organizations; if they are private or state-owned, local or multinational. The respondents further asserted that the executors are comprised of top management, middle management, lower management and non-management. Effectiveness of strategy implementation is, at least in part, affected by the quality of people involved in the process, who are the top management officials

4.7 Discussion

4.7.1 Comparison with theory

One of the enduring problems facing the field of strategic management is the lack of theoretical tools available to describe and predict the behavior of firms and industries. For example, even if we know that oligopolistic industries are likely to experience periods of stability alternating with periods of intense competition, we do not know when they will occur or what will be the outcome. Similarly, it is almost impossible to predict the impact of the advent of a new competitor or technology in an industry. The fundamental problem is that industries evolve in a dynamic way over time as a result of complex interactions among firms, government, labor, consumers, financial institutions, and other elements of the environment. Not only does industry structure influence firm behavior, but firm behavior in turn can alter the structure of an industry and the contours of competition.

Existing Theoretical models, however, tend to assume relatively simple linear relationships without feedback. Indeed, many strategic theories attempt to classify firms and industries and to describe appropriate strategies for each class. Chaos theory, which is the study of nonlinear Dynamic systems, promises to be a useful conceptual framework that reconciles the essential unpredictability of industries with the emergence of distinctive patterns (Cartwright, 1991).The theory asserts that the business environment is chaotic and that this needs to be arrested. Such chaos Include both the micro and macro factors of the environment. This theory applies very well to the case of the BPR bank, the bank has political factors, economical, social, technological and legal factors that affect it operating environment

4.7.1 Comparison with other Empirical Studies

According to the literature review strategies are affected by micro and macro environment, Miller (1988) asserted that micro environment affects strategy formulation and implementation, Miller was of the opinion that human resource skills, working environment and organization structure and culture affects strategy formulation and implementation. The research findings confirm Millers opinion. Grant (2000) concluded that macro environment affect the formulation and implementation of strategies in an organization. The researcher found out that BPR is affected by the macro factors Grant was talking about. These factors included political factors which came about by legislation formulated in parliament.

According to Batemen (1993), economical factors such as interest rates, inflation affects the performance of a business organization, he further affirms that social factors affect any organization regardless of the industry it is in. Thus the finding of the study affirms that social factors and economical factors affects strategic formulation and implementation on the Banque Populaire Du Rwanda. The strategic restructuring process encompasses internal self- assessment to identify the non- core and core business. This restructuring or reorganization is intended to create value to the external customers and therefore improve it service delivery.

It reduces fragmentation by crossing traditional departmental lines and reducing overhead to compress formerly separate steps and tasks that are strategically intertwined in the process of meeting customer needs (Ansoff, 1987). The researcher has established that restructuring affects strategic formulation and implementation.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the main findings of the study giving conclusions which attempted answers to the specific questions that were investigated. In addition recommendation for possible action and suggestions for further research is given.

5.2 Summary

5.2.1 Strategic responses of BPR on changes in its environment

Intensive strategies which include market penetration, market development, and product development are used to improve a firm's competitive position with existing products. This strategy is widely used alone and in combination with other strategies. Majority of the respondents asserted that product development usually entails large research and development expenditures. Even though an industry may have below-average profitability, a firm that is optimally positioned can generate superior returns.

Restructuring or reorganization is intended to create value to the external customers and therefore improve it service delivery. It reduces fragmentation by crossing traditional departmental lines and reducing overhead to compress formerly separate steps and tasks that are strategically intertwined in the process of meeting customer needs. The respondents asserted that the bank has restructures twice in the last 6 years to meet its goals and objectives. The above strategic response have been used by the organization to respond to the turbulence times that have been brought about by the change of business operation environment

5.2.2 Factors influencing BPR's responses to it environment

Constant change of technology influences BPR's external environment. The change of technology affects the firms' competitive advantage negatively. Due to this, BPR's uses a significant about of resources to ensure that it is above all her rival in the industry. Government policy also affects the firms environment, the researcher established that policies such as minimum wage for workers affects the profits of the company which eventually affects the firms performance and return on its investments.

The taxation policy of the government is not helping the growth of the industry. The government through the finance ministry has increased taxes which is significantly affecting the profitability of BPR. The customers are constantly demanding much from the sector, they want good customer care, better quality of service and are constantly shifting their wants and needs. Thus customers buying culture is changing by the day. This has been brought about by the Global financial crunch, which has started affecting the BPR's clients. The researcher found out that political, technology, economy and social factors influences BPR strategic responses.

5.3 Conclusion

Business, now-a-days is vitally affected by the economic, social, legal, technological and political factors. These factors collectively form business environment. Business environment, as such, is the total of all external forces, which affect the organization and operations of business. The environment of an organization has got internal, operational and general lives managers must be aware of these three environmental levels and their relationship and importance. To counter this, strategic responses is very important. The strategic responses employed by BPR includes; Intensive strategies which include market penetration, market development, and product development are used to improve a firm's competitive position with existing products, Retrenchment strategy, re-structuring strategy and growth strategy

The government taxation policy, the ever changing technological environment, the social-cultural factors which include literacy level, the political wing of the country and the economical environment of the entire country affect the growth of the BPR and in general the banking industry of Rwanda. Through the analysis of the literature review, the content analysis of the interviews schedule. The researcher affirms that BPR environment is influenced by above factors.

5.4 Recommendations

Organization should ensure that full steps in development of strategies area undertaken and every person/ department should play apart in the making of the organization strategies. Lower level management must be involved because they are the ones who implement the strategies.

Organization should ensure that they constant review their strategies to ensure that they are not obsolete because the macro environment keeps changing every now and then. The

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organization should also try and combine one or to strategy to ensure that incase one strategy fails, the other does not fail.

5.5 Limitation of the Study

The researcher had difficulties in accessing the respondents due to strict privacy found in the organization, thus the researcher managed to interview a good number of employees working in the bank. Getting access to very important information proved to be difficult owing to the attachment of confidentiality the organization had given to its data and information the researcher had produce a letter from her learning institution to prove that she was actually a student collecting data for her research to enable her meet the course requirement for award of a masters degrees.

The researcher had difficulties in ensuring the data is valid and reliable because the top management were reluctant to be interviewed. Thus from the beginning of the researchers , the researcher created a good rapport with the human resource manager who helped her get in touch with the other top level managers.

5.6 Suggestions for Further Research

Although BPR study acknowledges that strategies frequently fail not because of inadequate strategy formulation, but because of insufficient communication about them, strategy's responses of BPR have received less research attention than setting them because some employees .of the bank have never been informed about the situation of the bank, trained how putting them in action but the only one who settled them is the one who understand them and who know what will be necessary to put them in practice.

In this study, we review the factors that enable or impede effective strategy's responses of BPR. We highlight how strategies have been researched so far and what kind of responses has been undertaken by the bank. As a result of our literature analysis, we found crucial factors which influenced strategy's responses of BPR such as economical, political, social and technological factors. Thus more research should be sought to establish factors affecting strategic responses to the internal environment.

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APPENDICES

INTERVIEW GUIDE

1. How would you describe the operation environment in BPR?

2. Do you know of any changes that has taken place in BPR?

3. What factors influences the business/operating environment of BPR?

4. Give reason for the above answer (3)

5. To what extent have the factors affected the business of BPR?

6. What are some of the strategic response adopted on the changes of the external environment.

7. Why were the strategic responses adopted?

8. Please indicate the factors affecting developing and/or implementing such responses?

9 Elaborate on your above (8) answer