STRATEGIC RESPONSES USED BY CO-OPERATIVE BANK OF KENYA TO COMPETE IN THE KENYAN BANKING INDUSTRY

BY

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The study will analyze the key reactions adjusted by Co-Operative Bank Limited to changes in the saving money industry in Kenya. About 10 years prior, numerous multinational banks in Kenya shut down the majority of their branches in the provincial territories. The fundamental reason given was that extra cash of larger part of rustic Kenyans had turned out to be excessively small, making it impossible to warrant keeping money administrations. This came about to this section of the market being sidelined and all things considered un-bankable. These banks then packed their energies in corporate saving money and interest in Treasury Bills and Bonds.

As Ansoff and McDonnell (1990) noted that effective firm’s continuously check their surroundings with a specific end goal to distinguish future financial, focused, mechanical, and political discontinuities, which could influence their operations. In the same manner, banks should be receptive to get by in the perpetually changing managing an account industry. Today, the managing an account situation in Kenya has massively changed. The economy has kept on enlisting some positive development. This development has added to expanded wage levels to Kenya's center and poor classes of the population. The Co-agent Bank of Kenya is joined in Kenya under the Company's Act and is additionally authorized to do the matter of saving money under the Banking Act.

The Bank was at initially enlisted under the Co-operator Societies Act at the motivation behind setting up in 1965. This status was held up to and until June 27th 2008 when the Bank's Special General Meeting made arrangements to meld under the Companies Act with a view to consenting to the requirements for posting on the

Nairobi Stock Exchange (NSE). The Bank opened up to the world and was recorded on December 22 2008. Shares already held by the 3,805 co-specialists social requests and unions were ring-fenced under Coop Holdings Co-operator Society Limited which transformed into the essential theorist in the Bank with a 64.56% stake.

1.1.1 Concept of Strategy

Johnson et al. (2005, pg 4.) characterize procedure as 'the bearing and extent of an association over the long haul, which accomplishes advantage in a changing situation through its setup of assets with the point of satisfying partner desires'. In its assurance of the long haul bearing of an association, methodology includes the interchange of three components: the association's outer surroundings, its assets and its targets (in meeting the desires of its partners).

A procedure is a long haul plan of activity intended to accomplish specific objective frequently winning (Thompson et al, 2007). System is a consider hunt down an arrangement of activity that will build up a business' upper hand and compound it. For any organization, the inquiry is an iterative procedure that starts with the cognizance of where you are and what you have now. Your most perilous rivals are those that are most similar to you. The contrasts between a firm and its rivals are the premise of its leverage. On the off chance that a firm is good to go and it is self supporting, then it as of now has some sort of favorable position, regardless of how little or unpretentious. The goal is to extend the extent of the preferred standpoint, which can just happen at some other association's cost (Clayton, C., 1997).

Key reaction to aggressive environment is the specialty of detailing, executing and assessing cross utilitarian choices that will empower an association to accomplish its goals in the midst of the contender's presence. It is the matter of determining the associations targets, creating strategies and arrangements to accomplishing the association's destinations. Key administration proves to be useful which join the exercises of the different practical zones of a business in accomplishing authoritative destinations. It is the largest amount of administrative action, typically figured by the governing body and performed by the association's (CEO) and official group. Key administration gives general heading to the endeavor and it is firmly identified with the fields of association studies (Treacy and Wiersema, 1993).

1.1.2 Dynamic Banking Environment

Following liberalization of the banking sector in Kenya in 1995, competition has become so stiff that it is now common to see banks pitching tents in bus stages, market centers, sports grounds, outside church compounds and busy city streets so as to market their products and services to the public. The global financial crisis experienced in late 2008 and the current euro zone crisis are expected to affect the banking industry in Kenya especially in regard to deposits mobilisation, reduction in trade volumes and the performance of assets. This situation is further worsened by the introduction of new regulations in the industry by the Central Bank of Kenya. For instance, the Finance Act 2008, which took effect on 1st January 2009, requires banks and mortgage firms to build a minimum core capital of Kshs 1 billion by December 2012. This requirement, it is hoped, will help transform small banks into more stable organizations.

Johnson et al. (2005), define strategy as the direction and extent of an association over the long haul, which accomplishes advantage in a changing situation through its design of assets with the point of satisfying partner desires. In its assurance of the long haul bearing of an association, system includes the transaction of three components: the association's outside surroundings, its assets and its goals (in meeting the desires of its partners). Vital reaction is the arrangement of choices and activities that outcome in the definition and execution of arrangements intended to accomplish an association's destinations (Pearce and Robinson, 1997).

Ansoff and McDonnell (1990) take note of that vital reactions include changes to the association conduct, such reactions may take numerous structures relying upon nature in which it works. Very much created and focused on key reactions are imposing weapons for a firm in obtaining and managing an upper hand. Organizations respond distinctively to financial environment, some concoct new items, broadening, enhanced client mind, new IT advancements, and separation. Banks in Kenya are confronting new difficulties consistently. The usage of this necessity represents a test to a portion of the current banks and they might be compelled to converge so as to go along. The proceeded with ascent of expansion and decrease in premium edges can just make the Kenyan managing an account domain more unpredictable. Given this antagonistic environment, just the banks that are deliberately responsive will make due over the long haul.

Nyamai (2011) established that Jubilee Insurance Ltd responded to economic environment and changes in the Insurance Industry in Kenya through strategic choices which included: new products development, entering new markets, improved customer service, employees' motivation and adoption of state of the art of information technology systems. Mutugi (2006) found out that Barclays Bank Ltd responded to changes in retail banking in Kenya by using corporate restructuring in form of changes in senior management in preference to locals, with specialist executive directors being appointed to head the new market segments; redesigning of jobs and relevant performance measures; voluntary early retirement (VER) schemes;

shorter reporting lines; disposal of non-core assets and businesses; outsourcing of non-core services such as the printing of stationery and mail distribution across the bank. The market segments were redefined and the marketing function re-organized into retail and corporate divisions. The bank has been making changes in its information technology systems that would facilitate better interconnectivity of the bank's branch network as well as serve their customers better.

1.1.3 The Kenyan Banking Industry

An industry might be characterized as a gathering of firms whose items have so a large portion of similar qualities that they vie for similar purchasers. This definition can likewise be stretched out to incorporate firmly related enterprises providing administrations to the business and accepting administrations from the business. The Banking Industry in Kenya is administered by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the different prudential rules issued by the Central Bank of Kenya (CBK). The keeping money part was changed in 1995 and trade controls lifted.

The CBK, which falls under the Minister for Finance docket, is in charge of planning and actualizing money related approach and encouraging the liquidity, dissolvability and appropriate working of the monetary framework. As at December 2008, there were forty six saving money and non bank organizations, fifteen miniaturized scale back establishments and one hundred and nine outside trade departments. The banks have met up under the Kenya Bankers Association (KBA), which serves as a hall for the managing an account segment's interests. In the course of the most recent couple of years, the Banking area in Kenya has kept on developing in resources, stores, productivity, and items advertising.

The development has been for the most part supported by; an industry wide branch organize extension technique both in Kenya and in the East African people group district and mechanization of countless and a move towards accentuation on the perplexing client needs as opposed to customary 'off-the-rack' managing an account items. The most powerful logical model for evaluating the way of rivalry in an industry is Michael Porter's Five Forces Model. Doorman (1980) clarifies that there are five powers that decide industry engaging quality and long-run industry benefit. In any case, rivalry is not flawless and firms are not unsophisticated uninvolved value takers. Or maybe, firms make progress toward an upper hand over their adversaries. The force of contention among firms changes crosswise over enterprises and vital experts are occupied with these distinctions.

In Kenya, cell phone benefit suppliers (firms) have been authorized to offer cash stores and exchanges utilizing the cell phones. An extremely famous illustration is Safaricom's portable cash exchange benefit called M-PESA. Numerous individuals are currently selecting to work portable cash accounts instead of customary financial balances. It is not just officeholder matches that represent a danger to firms in an industry; the likelihood that new firms may enter the business likewise influences rivalry. Boundaries to passage are one of a kind industry attributes that characterize the business. Boundaries decrease the rate of passage of new firms, along these lines keeping up a level of benefits for those as of now in the business.

From a vital viewpoint, hindrances can be made or misused to improve an association's upper hand. A decent case of boundaries to passage in the keeping money industry in Kenya is the authorization of the Finance Act 2008, which produced results on first January 2009 and requires banks and home loan firms to manufacture a base center capital of Kshs 1 billion by December 2012. Any bank or mortgage firm that cannot raise this level of capital will either merge or close business. Similarly, other companies will not be able to enter the market if this requirement is not met.

1.1.4 Co-Operative Bank of Kenya

The Co-operative Bank of Kenya is joined in Kenya under the Company's Act and is additionally authorized to do the matter of saving money under the Banking Act. The Bank was at first enrolled under the Co-agent Societies Act at the purpose of establishing in 1965. This status was held up to and until June 27th 2008 when the Bank's Special General Meeting set out to fuse under the Companies Act with a view to agreeing to the prerequisites for posting on the Nairobi Stock Exchange (NSE). The Bank opened up to the world and was recorded on December 22 2008. Shares already held by the 3,805 co-agents social orders and unions were ring-fenced under Coop Holdings Co-operative Society Limited which turned into the key financial specialist in the Bank with a 64.56% stake.

The Bank runs three backup organizations, to be specific: Kingdom Securities Limited, a stock broking firm with the bank holding a controlling 60% stake, Co-op Trust Investment Services Limited a store administration auxiliary completely claimed by the bank and Co-operation Consultancy and Insurance Agency Limited (CCIA), the corporate fund, money related admonitory and limit building auxiliary entirely possessed by the bank. The banks vision is to be the main and prevailing Kenyan manages an account with a solid countrywide nearness, assuming a focal part in the co-agent development and giving applicable and imaginative money related administrations to our clients for the ideal advantage of every one of our partners. Its central goal is to offer esteem added budgetary administrations to our picked showcase portions with uncommon accentuation on the co-agent development through an exceedingly powerful system of administration focuses, magnificent client benefit and a profoundly energetic group of qualified staff.

The Co-operative Bank of Kenya is owned by more than 154,942 shareholders (as at 2015 close). Out of this, Coop Holdings Co-agent Society Limited owns 64.56%, with the rest held by different financial specialists. The Bank has an Authorized share capital of Kes 5,000,000,000 made up of 5,000,000,000 shares of Kes 1.00 each, and an Issued and completely paid capital of Kes 3,492,370,900 made up of 3,492,370,900 shares of Kes 1.00 each. As at the end of 2011, Co-operation Bank had a staff foundation of 3,193 representatives (www.co-opbank.co.ke/ Retrieved 19/04/16 1000hrs).

Co-operative Bank of Kenya Ltd reported a Profit Before Tax of Kshs.4.5 billion for the year ended December 31, 2015 which is a 30% growth from 3.47 Billion of 2014. This was underpinned by growth in the loan book to 184.1 billion which is 20% growth from 154.6 billion and growth in customer base by 21% to stand at 5.3 million account holders that grew income from commissions tremendously. In line with the new constitution the bank performed a strategic positioning of its outlets and mapped out an additional 42 branches 30% of which are already operational, (www.co-opbank.co.ke/ Retrieved 19/04/16 1000hrs).

1.2 Research Problem

The Banking Industry in Kenya has enormously gown throughout the years for the most part as a consequence of the accessible market open doors for clients that have risen in the nation. With these open doors, genuine difficulties to organizations wishing to stay significant and gainful have exuded making them embrace elective procedures. The worldwide money related emergency experienced in the late 2008 and the present Euro Zone emergency are relied upon to influence the saving money industry in Kenya particularly with respect to stores preparation, lessening in exchange volumes and the execution of advantages. This circumstance is further compounded by the presentation of new controls in the business by the Central Bank of Kenya. The proceeded with ascend in expansion and decrease in premium edges has made the saving money environment more capricious.

Passing by the norms of developing nations, the managing an account division in Kenya is genuinely energetic. In any case, the part is overwhelmed by the formal business banks. The initial three banks to be framed in Kenya were Barclays, Kenya Commercial Bank and Standard Chartered Bank. They are still the biggest banks today. Outside banks in Kenya control 40.3% of the piece of the pie as far as resources, with Barclays and Stan Chart controlling 30% (Upadhyaya, 2011). As at December 2008, there were forty six keeping money and non bank establishments, fifteen micro finance foundations and one hundred and nine exchange bureaus.

This high number of banks and financial institutions in a small country like Kenya has made competition in the financial sector to be very stiff. Today, competition in the banking sector in Kenya has become so fierce that it is common to see banks pitching tents in bus stages, market centers, sports grounds, outside church compounds and busy city streets so as to market their products and services to the public.

The Banking Industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the different prudential rules issued by the Central Bank of Kenya (CBK). The saving money segment was changed in 1995 and trade controls lifted. The CBK, which falls under the Minister for Finance docket, is in charge of figuring and executing money related approach and encouraging the liquidity, dissolvability, and appropriate working of the budgetary framework. The banks have met up under the Kenya Bankers Association (KBA), which serves as a hall for the saving money area's interests. The KBA gives a gathering to tending to issues influencing its individuals.

Most formal banks in Kenya just serve corporate clients and retail clients in formal business. Most SME's need expound insurance thus they are viewed as high hazard financially. This has implied that the little, miniaturized scale and medium ventures have not possessed the capacity to get to credit as they can't meet the bank's stringent credit conditions. To address the extensive crevice in back prerequisites for the little, and medium undertakings (SME), in streets have been made by helping the smaller scale fund establishments (MFI) to move in and provide food for the SMEs money related administrations necessities. Miniaturized scale and Small Enterprises (MSEs) cut over all divisions of the economy have given business openings, lessened destitution and are rearing ground for medium and substantial ventures which add to Kenya's financial improvement and extreme industrialization by 2020.

There has been expanded rivalry emerging from new contestants in the market and permitting of store taking Micro Finance Institutions (MFIs) and Savings and Credit Cooperative Societies (SACCOs). Different difficulties being confronted incorporate expanding frailty, mechanical changes, high representative turnover, changing client desires, utilization of know your client (KYC) as security, selection of ideal evaluating models and utilization of web-based social networking for promoting. Given this antagonistic environment, just the banks that are deliberately responsive will get by over the long haul.

Past studies have been done on vital reactions by firms to the adjustments in nature (Nyamai 2011, Mutugi 2006 and Ramona 2008). These studies agree that associations must think of better systems all together than stay applicable and productive in the market, however none of them has concentrated on Co-Operative Bank Limited and particularly, how the bank is reacting to changes in the managing an account industry in Kenya. Every foundation is novel in its structure and method of operation and thusly, the specialist accepted that Co-Operative Bank Limited had embraced its own vital reactions to changes in the Banking Industry in Kenya. How has Co-Operative Bank Limited deliberately reacted to these adjustments in the Banking Industry in Kenya?

1.3 Research Objectives

The objective of the study was to determine the strategic responses adopted by Co-Operative Bank Limited to deal with changes in the Banking Industry in Kenya.

1.4 Value of the Study

The results of the study would help Co-Operative Bank Limited to respond to both threats and opportunities brought about by changes in the Banking Industry in Kenya by coming up with appropriate strategies that would enable it to remain relevant and profitable in the market. The study would help Co-Operative Bank Limited to evaluate the effectiveness of the strategies it had adopted by benchmarking them with other bank’s strategies so as to re-align them and employ the best alternative(s).

The results of the study would also help spur economic growth in Kenya. By addressing the issue of high interest rates, being one of the key concerns of the Finance Bill (2011), the study would inform the bank to develop well tailored credit products affordable by the small and medium enterprises (SMES) and low income earners. With the commissioning of Credit Reference Bureaus (CRBs) in Kenya, there is absolutely no reason why banks cannot use know your customer (KYC) and the customer credit history as collateral and adjust credit interest rates downwards.

The results of the study would also make a contribution to the existing body of knowledge particularly on strategic responses adopted by banks to changes in the banking industry in Kenya.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

A literature review is a record of what has been distributed on a point by accredited researchers and scientists. Be that as it may, all the more regularly, it is a piece of the introduction to a paper, research report, or thesis. The purpose of the literature review is to pass on to the reader what information and thoughts have been set up on a theme and what their qualities and shortcomings are. Strategic management is a continuous procedure that surveys the business and the ventures in which the organization is included; evaluates its rival's and sets objectives and techniques to meet all current and potential contenders

Systems are reassess each procedure yearly or quarterly to decide how it has been actualized and whether it has succeeded or needs substitution by another methodology to meet changed conditions, new innovation , new contenders, new monetary environment or, another social, budgetary or political environment. (Lamb, 1984). Strategic management is a combination of three principle forms to be specific; strategy formulation, strategy implementation and strategy evaluation. Strategy development is a multidimensional procedure that must include rational analysis and intuition, experience and emotion.

2.2 Theoretical Foundation of the Study

According to Collis et al. (1995) ideas, speculations and analytic framework are not choices or substitutes for experience responsibility and imagination. Be that as it may, they do give valuable edges to sorting out and evaluating the unlimited measure of information accessible on the firm and its surroundings and for guarding choices, and may even act to empower as opposed to curb inventiveness and advancement.

2.2.1 Industry Analysis Theory

The attractiveness of an industry is best explained by Michael Porter's five forces model. Porter (1980) clarifies that there are five powers that decide industry engaging quality and long-run industry benefit. These five focused strengths are: the danger of section of new contenders (new entrants),the risk of substitutes, the dealing force of purchasers, the bartering force of providers and the level of contention between existing contenders. In the customary financial model, rivalry among adversary firms drives benefits to zero. Yet, rivalry is not flawless and firms are not unsophisticated inactive value takers. Or maybe, firms take a stab at an upper hand over their opponents. For the firm to profit by the five strengths show it must have the capacity to exhaustively characterize its industry.

Porter (2000) states that characterizing the business in which rivalry happens is imperative for good industry examination, also to develop procedure and defining unit limits. He watches that the firm should decide the item and land scope and distinguish the players and fragment under the four sections recorded previously. The investigation ought to likewise survey the quality and shortcomings of these aggressive strengths. It is additionally vital to comprehend the business gainfulness and the late positive and negative improvements in the business. The five strengths model will make Co-Operative Bank react successfully to what is going on in the saving money industry and past. This will help the bank to adjust to changes and advancements in parts like portable managing an account cooperative movement, politics, insurance and investment banking. Strategy is not just about growth, growth and more growth.

2.2.2 SWOT Analysis

A firm cannot compete effectively in its industry if it does not conduct a detailed analysis of its strengths, weaknesses and external opportunities and threats (SWOT).An internal analysis of strengths and weaknesses will identify the presence or absence of unique skills and resources that give an organization a competitive advantage. Unique competitive advantage is a combination of superior efficiency, superior quality, superior innovation, and superior customer responsiveness (Chandan, 1997). The main strengths of Co-Operative Bank include its good corporate governance culture, vibrant information and communication technology, strong balance sheet with a capital base, one stop shop for all financial services (retail & corporate banking, insurance, investment banking), a strong board of directors pooling experienced professionals from diverse sectors and cultures and strong innovation culture .

The other strength is its growing branch network. One major weakness with the Bank is the issue of high staff turnover and the perceived public image that it is a bank for the rich. Opportunities available for Co-Operative Bank include full exploitation of the south Sudan market, diversification into mortgage business, full exploitation of the features of the just acquired core banking system, Adoption of agency banking and use of credit information sharing to reduce their lending risks while pricing their loan products competitively. The main threats facing Co-Operative Bank include rising inflation, discontinuation of the discount window by CBK, increasing competition in the banking industry, entry of the heavily capitalized Nigerian banks into the market, rising insecurity and political uncertainty occasioned by the coming general elections in 2013.

2.2.3 Michael Porter's Competitive Forces theory

The advantage of strategy is not simply offering improvement and consistency to basic leadership, yet the distinguishing proof of system as the shared characteristic and solidarity of all the undertaking choices additionally allows the utilization of capable analytical tools to help organizations make and divert their procedures. Strategy can help the firm establish long term direction in its environment and behavior (Gary & Prahalad, 1993).

Michael Porter (1980) views corporate strategy, as the larger methodology of the differentiated firm, such corporate system answers the inquiries of "in which business would it be a good idea for us to contend? "what's more, how does being one business add to the upper hand of another portfolio firm and also the upper hand of the company all in all. Since the turn of the thousand years, there has been a propensity in a few firms to return to a less difficult key structure. This is being driven by data innovation. It is felt that learning administration framework ought to be utilized to share data and make shared objectives. Key divisions are thought to hamper this procedure (Trigeorgis, 2001)

2.3 Strategic Responses

Ansoff and McDonnell (1990) take note of that vital reactions include changes to the association conduct, such reactions may take numerous structures relying upon nature in which it works. Very much created and focused on vital reactions are impressive weapons for a firm in procuring and managing an upper hand. Organizations respond contrastingly to monetary environment, some concoct new items, broadening, enhanced client mind, new IT advancements, and separation. Key reaction is the arrangement of choices and activities that outcome in the definition and usage of arrangements intended to accomplish an association's goals (Pearce and Robinson, 1997).

Strategic response to competitive environment is the art and science of figuring, actualizing and assessing cross practical choices that will empower an association to accomplish its targets in the midst of the contender's presence. It is the matter of indicating the organization's destinations, creating arrangements and arrangements to accomplishing the association's targets. Strategic management proves to be useful which join the exercises of the different utilitarian territories of a business in accomplishing authoritative destinations.

2.4 Competitive Strategy Frameworks

The causes of competition in an industry are many. This makes it very difficult to have widespread techniques for handling it. Diverse times and ventures have effectively utilized distinctive techniques or procedures. Among the models progressed by researchers to handle rivalry incorporate upper hand, delta model and client closeness among others. An upper hand is leeway increased over contenders by offering clients more noteworthy esteem, either through lower costs or by giving extra advantages and administration that legitimize comparable or conceivably higher costs.

Among the first scholars to use the term comparative advantage in their literature was David Ricardo in 1817 in his book "The Principles of Political Economy and Taxation". His application was built on specialization focused on the economy and not the firm. Thomas and Daveni (2004) quote several researchers who all agree that comparative advantage enables a firm to outperform its competitors in profitability or performance. These returns are similar to Ricardian rents. Competitive advantage is built upon set of conditions that are invalidated or reinforced as dynamics change in the environment. These advantages are not universal and change with times. The strategies Ford used to compete with General Motors (GM) were very different with the ones used by Toyota to dislodge GM its market leadership.

2.5 Strategic responses within the Banking Sector in Kenya

Various studies have been conducted on how banks deliberately react to changes in the managing an account part in Kenya. The vast majority of these studies presume that banks must concoct better procedures all together than stay important and gainful over the long haul. As Ansoff and McDonnell (1990) set up that organizations respond diversely to financial environment, some think of new items, enhancement, enhanced client mind, new IT advancements, and separation.

With a specific end goal to viably contend in the managing an account industry in Kenya, Abishua (2010) set up that Equity Bank embraced the accompanying procedures: Product offering broadening, branch and territorial development, relationship promoting, financing, client care, advancement and data innovation. The concentrate additionally observed Equity Bank to be an exceptionally versatile keep money with an adaptable reactionary component to misuse any developing holes in the managing an account industry.

2.5.1 Competitive Responses

The techniques being utilized by Co-Operative Bank to react to the opposition in the Kenyan saving money industry incorporate broadening, great corporate administration, items and administrations separation, showcase division, acquisitions, branch organize extension, mechanization of business procedures, development, enhanced client mind, vital associations, rebranding, notices, staff preparing, cost regulation and change of appropriation channels. According to Mintzberg (1994) strategy making is not an isolated process limited to strategy planning meeting. To the contrary it is interwoven with all it takes to manage an organization.

2.5.2 Diversification Strategies

Enhancement alludes to extending business fields either to new markets, new items, or both, while holding solid center organizations (Yokoyama, 2007). Enhancement has not been restricted to the managing an account industry. Retail chains have additionally effectively enhanced to managing an account. In Kenya cell phone organizations have additionally enhanced into cash exchange administrations. Visit and effective new items presentations are crucial for natural development and aggressive separation. The quantities of new item presentations have expanded significantly over the globe (Davis, 2007). The Bank has figured out how to present new inventive administrations like Bank to M-PESA and M-PESA to bank, Internet keeping money, Mobile saving money, Debit cards and Deposit taking ATMs. Center Bank has likewise broadened its items offering by presenting one stop shop keeping money administrations; protection, speculation managing an account and stock business administrations.

2.5.3 Corporate Governance

There is no generally acknowledged meaning of corporate administration. Characterized extensively, "corporate administration" alludes to the private and open foundations, including laws, controls and acknowledged business rehearses, which in market economy; represent the relationship between corporate administrators and business visionaries ("corporate insiders") on one hand, and the individuals who put assets in enterprises, on the other, Oman (2001).

Co-Operative Bank Ltd has entrenched a very good corporate governance culture. The

Bank prides itself in having won the following prestigious awards: Best commercial bank, Year 2014, Best bank in retail banking, best bank in micro-finance both in Africa and Middle East banking category Year 2014. Other achievements includes: Information Security Management System – ISO/IEC 27001:2013 certification. Co-operative Bank is now the first Bank in East Africa to achieve this security certification.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology entails a documented process for management of projects that contains procedures, definitions and explanations of techniques used to collect, store, analyze and present information as part of a research process. It also describes the method used by the researcher in data collection.

3.2 Research Design

A research design is a framework specifying the relationships among the study variables. The researcher used a case study design which is suitable in situations where questions such as how, why and what are investigated on a certain phenomena to give facts of the situation as it is, without interference by the researcher. The case that is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame within which the study is conducted and which the case illuminates and explicates.

This design is where background, development, current conditions and environmental interactions of one or more individuals, groups, communities, businesses or institutions is observed, recorded and analyzed for stages of patterns in relation to internal and external influences. With the literature review, the researcher was able use the case study research design to test and analyze whether the theoretical frameworks will conform to the subject matter, area of study and ideas in context to the appropriate research on Co-Operative Bank limited.

This design is considered appropriate since only Co-Operative Bank Limited is the study on how it had dealt with changes in the Banking Industry. The method is also appropriate because an in-depth and comprehensive inquiry is conducted to have in-depth description of the subject under study.

3.3 Data Collection

Both primary and secondary data sources was used for data collection. The primary data was collected in an Interview Guide which contains open ended questions. The interview guide was developed through direct and interactive human social conversations between different departmental managers which include Operations, Information Technology, Retail Banking, corporate banking and Human resource. With the relevant questions and answers, absolute questions for the interview are discussed that mainly touch on the subject of retail banking, financial performance and customer service.

The study targeted these top management employees since they are involved in strategy development and execution. The five respondents were all stationed in different braches Co-Operative Bank Ltd in Nairobi. The interview guide was administered by face to face interviews at their work stations.

3.4 Data Analysis

The Interview Guide was edited for completeness and consistency before processing. The researcher examined the raw data using many interpretations in order to find linkages and relationships between the matter under research and the outcomes. The researcher remained open to insights in order to triangulate data and strengthen the research findings for accuracy and reliablility. Thereafter, the data was coded to facilitate categorization. The data collected on the strategic responses was analyzed qualitatively on the basis of the strategic variables highlighted. Content analysis was used in analyzing the in-depth qualitative data that was collected.

The researcher tabulated and recombine data to address the initial propositions and purpose of the study and conduct cross checks of facts and dicrepancies of the information. This was also to enable the usable and useful information to be obtained. It will enable data to be described clearly and in summary as well as identify the relationships and differences between variables. It is from these variables that outcome was forecasted. The researcher used qualitative data to that has been colleted to collaborate with qualitative data which is most useful in understanding the rationale or theory underlying relationships between strategic ideologies adopted by commercial banks. This technique has been successfully used by other scholars such as Nyamai 2011, Mutugi 2006, Kiptugen 2003, Githii 2007 and Ramona 2008.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the data analysis and the research findings for the study. The data collected was analyzed and interpreted in line with the objective of the study, namely strategic responses by Co-Operative Bank Ltd to changes in the Banking Industry in Kenya. Content analysis was used in analyzing the in-depth qualitative data that had been collected.

4.2 Number of Respondents

The questionnaire was sent to Co-Operative bank department managers through the human resource to coordinate the response from the heads of departments. However, there was very little response to the questionnaires . This forced the researcher to turn to solely to secondary data and various media coverage's especially interviews with the Chief Executive by various media houses both in print and audio/visual and from the company's published profiles.

4.3 Diversification Strategies

The bank strategies included the Co-Operative banking, Retail Banking, Corporate and Institutional banking, Subsidiaries, Regional Expansion and Business Associates.

4.3.1 Co-operatives Banking

The bank co-Operative banking strategies targeted the Large Saccos , Housing Saccos, Agri-Business saccos , PSV/ Transport Saccos and Investment Saccos. The bank offers retail banking and related products through front-office service points

(FOSAs) located at SACCO premises and to date over 567 SACCO FOSAs are in operation. In addition, the bank invested in the Sacco Link Switch which has integrated the bank's and SACCOs' financial systems, thereby providing a solution through which ATMs, mobile banking, point of sale (POS) channels and internet banking is facilitated. In this partnership, we offer wholesale banking services to co-operative societies who then provide to their members retail services complete with full technological capabilities. To date, over 184 SACCOs are enlisted in this partnership and over 727,600 ATM cards have been issued to co-operative members, out of which 14% were issued in the year 2014.

4.3.2 Retail Banking

Co-Operative invested in Micro credit (MC), this is the extension of very small loans (microloans) to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history. It was designed not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension (Co-Operative Bank 2012). The bank introduced Chama products for women, In many communities, women lack the highly stable employment histories that traditional lenders tend to require. Many are illiterate, and therefore unable to complete paperwork required to get conventional loans.

From the Research Co-Operative invested in Small and Medium Enterprises (SMEs) which is the extension of medium loan to impoverished borrowers who have collateral to secure the loan, steady employment and a verifiable credit history. It was designed to support developed entrepreneurs and promote micro credit customers, but also in many cases to empower women groups and uplift entire communities by extension

(Co-Operative Bank 2012). The bank introduced group products medium enterprises.

The researcher found out that Personal Banking in the bank matches more than 60% of bank operations. Personal banking is a type of banking service and product line offered by banks to retail customers, that is consumers rather than businesses, intermediaries and institutions. Co-Operative bank offers personal banking products that typically include salary remittance accounts and transaction facilities such as a bank transaction account, debit cards, an interest bearing floating account (savings account) and a fixed interest deposit account for a specific agreed period (certificates of deposit / term deposit). In addition it also includes debt facilities such as loans, mortgages and credit cards.

Co-Operative bank Asset Finance is a self securing loan product for the financing of moveable assets. It offers the great flexibility and helps applicants free up cash by enabling them acquire assets with minimum fuss while paying for the assets in easy monthly rentals. The asset being financed becomes the security, it has features in which the financing of all types of moveable assets such as laptops, computers, printers, saloon cars, pickups, tractors, prime movers, school buses, generators and even medical equipment. Finally the financing of both new and second hand assets. Asset financing facilitates optimal utilize their funds, competitive pricing in both local and foreign currency, flexible repayment period, Co-op Insurance Financing is made available for the assets purchased, with the option of renewing it periodically over the duration of the facility and beyond, automatic reminders of insurance expiry.

Internet Banking is one of bank’s products and brand propositions are designed to far exceed customer expectations and respond to diversification and sophistication of customer needs as well as changes in the business environment. The bank’s internet-banking solution Co-opNet has contributed to growth in customer base especially for Kenyans in the Diaspora and already serves over 33,500 clients.

In Agency Banking, the Bank is at the forefront in implementation of agency banking model, currently working with over 9,000 agents countrywide. Agents, who will include co-operative societies, supermarkets, ordinary shops, petrol stations among other outlets enable customers' access banking services beyond official banking hours. Due to the greater geographical area covered by agents, customers also enjoy better convenience as services come closer to their most preferred location.

During the 3rd quarter of 2014, the bank launched yet another innovative alternative banking channel under the brand name - 'MCo-op Cash'. This is a mobile wallet that enables both customers and non-customers across all networks to open bank accounts, apply for loans and also make cash and utility payments straight from their mobile phones. MCo-op Cash has innovative platforms and will also enable users to transfer funds across banks, micro finance institutions and mobile networks, and thereby deliver a greatly-improved service experience to users. Already over 1.42 Million customers have registered to date and the target is to register the bank's over 5.1 Million account holders and the over 10 Million Kenyans in the Co-operative Movement that is the largest in Africa. The service is accessed through USSD code, *667#.

4.3.3 Corporate & Institutional Banking

-Corporate banking -Commodity Finance -Transaction Banking -Gov't Banking -Trade Finance -NGO's -Treasury -Share registry -Mortgage Finance –Custodial.

4.3.4 Subsidiaries

Co-op Trust Investment Services Limited is a fully owned subsidiary of The Co-operative Bank Group involved in the management of investments on behalf of institutional and individual investors such as Insurance companies, pension funds and other entities. Kingdom Securities Limited (KSL) is a licensed as a stockbroker at the NSE. The company formally commenced operations in June 2009 succeeding the previous Bob Mathews Stock Brokers Limited. As a licensee of the NSE we are engaged in the provision of stock trading and advisory services. The services are offered by KSL include Buying and selling of shares and bonds on behalf of clients, offering advice about investment in Shares/Bonds and aassisting investors to fulfill the following key needs: Transfers of shares, Immobilization and Transmissions.

Co-op Consultancy & Insurance Agency Ltd.'s (CCIA) core mandate is to enhance efficiency and profitability of co-operative societies through provision of affordable capacity-building solutions. This subsidiary of the Bank provides professional services at highly concessionary terms, with the Bank providing the subsidy. Over the years, CCIA has impacted over 3,000 societies in the areas of formulation and review of society by-laws, corporate strategic and tactical plans and development operating manuals.

This in addition to consultancy services on microfinance, lease negotiation, business advisory, restructuring and turn-around, performance management, staff training and recruitment, forensic audits and information technology systems procurement as well as assessment for risk-control. In 2014 the bank provided these specialised services to 168 Saccos. In addition to impacting the wider Eastern Africa Region at Kilimanjaro Co-operative Bank in Tanzania as well as partnership with the Government of South

Sudan towards set up of a farmers' co-operative union at Aweil Rice Irrigation Scheme.

From the research, Co-op Bank Foundation focuses on secondary scholarship program and was initiated in the year 2007 and has grown from an initial sponsorship of 30 students per region, to 60 students per region and 5 students per county for the 47 counties in Kenya. In the year 2014, a total of 655 students were selected for secondary school sponsorship. To date, the foundation has supported 3,353 students in Secondary school education, 112 at university level and 7 in various colleges. During the last financial year, the Foundation invested a total of KShs. 122.5 Million towards this worthy course. This brings the total amounts donated to education through the foundation since inception to KShs. 461.7 Million.

4.3.4 Regional Expansion

Co-op Bank has a Unique partnership with Government of S. Sudan to form Co-Operative bank of Sudan in which the GOSS owns 49% and Co-Operative Bank Kenya Ltd owns 51%). The Bank is currently operating 2 branches with and an additional three to be opened in 2016 hence the subsidiary is expected to break even in 2016. The unique joint venture offers great opportunity for long-term sustainability of the business. Exceptional model to be applied in our new frontiers i.e. Uganda, Rwanda, Tanzania & Ethiopia to be implemented over the next 5 years.

4.3.5 Associates

The researcher found out that Co-Operative bank work CIC Insurance as business associates in which the bank owns 26% owned of the insurance company. The bank also acts as insurance broker –banc assurance for CIC insurance company

4.4 Competitive strategies

This section generally covered the general information on the bank in the study. The specific information covered includes financing strategies, ownership, number of employees and staff diversity.

4.4.1 Financing Strategies

This section was aimed at determining the financial strategies the Co-Operative bank is using to compete. The researcher analyzed the bank's balance sheet, dividend policy, and management of new investment partner. Leveraged on strong balance sheet to secure single digit long-term debt of over US$ 217.39 Million from developmental partners as here under:

- International Finance Corporation(IFC) US$ 60 million (Kshs.5.1 billion) at 4% interest rate in USD.
- European Investment Bank (EIB) Euro 70 million (Kshs.8 billion) at 8.7% in Kshs (locked in Kshs at the exchange rate on disbursement)
- Africa Development Bank (ADB) US$ 36 million (Kshs.3.14 billion) at 3% USD
- German Investment and Development Corporation, US$ 52.6 million (Kshs.4.68 billion) at 4% USD

Co-Operative bank was Listed in Nairobi securities exchange (NSE) in December 2008 and currently is the 3rd Largest bank by asset size of Kshs.309.6 Billion; Nation-wide Brand that speaks to the character of the Kenyan people and 6th largest by market capitalization on the Nairobi Securities Exchange (NSE) at over Kshs.104B from the 4,889,316,844 (of Kshs.1 each) shares issued to date.

4.4.2 Marketing Strategies

This section was aimed at determining what the Co-Operative bank's marketing strategies were. To determine this researcher analyzed the bank's marketing department structure, target market, correspondent network, product mix, and product development. The researcher found from the company website that the bank had a fully fledged marketing department headed by the director of marketing, advocacy and public research. The bank structure also has other directors playing a crucial role in marketing like the directors of corporate banking, Product Development, Innovation and Research, retail banking, and the General Manager of alternative business channels.

Marketing department is staffed by relationships and business development managers (Co-Operative Bank Kenya 2015). Marketing strategies being used by Co-Operative bank are aimed at creating new marketing and maintaining the existing market. "Through research and product innovation, Co-Operative bank has developed products and services that identify the needs cycle and financial resources of this market segment thus carving out a niche market. The Bank's target market which includes individuals, micro, small and medium enterprises is largely un-banked. The Bank's planned expansion targets this unexploited market. It is expected that providing financial services to this target market will result in continued growth in terms of business volumes and profitability (Co-Operative Bank Kenya 2014)." The bank rolled out innovative products introduced by Co-Operative Bank.

Introduction of Sacco-Link & FOSA Partnerships, the bank offers retail banking and related products through front-office service points (FOSAs) located at SACCO premises and to date over 567 SACCO FOSAs are in operation. In addition, the bank invested in the SaccoLink Switch which has integrated the bank's and SACCOs' financial systems, thereby providing a solution through which ATMs, mobile banking, point of sale (POS) channels and internet banking is facilitated. In this partnership, we offer wholesale banking services to co-operative societies who then provide to their members retail services complete with full technological capabilities. To date, over 184 SACCOs are enlisted in this partnership and over 727,600 ATM cards have been issued to co-operative members, out of which 14% were issued in the year 2014.

The researcher observed that Co-Operative Bank has major events social events like the Kenya Basket Ball , annual drama festivals and supporting the needy KCPE graduates by paying full secondary fess. The bank has also invested a lot of money in rebranding in its member campaign which has been being aired in the prime time by several media houses. The "We are You" aims at identifying the bank with different gender, professions, age groups, regions and ethnic groups. The researcher has also observed that the bank has also put up a countrywide bill boards display to advertise and spread this campaign.

4.4.3 Information and Communication Strategies

This section was aimed at determining the strength of the bank's ICT. The researcher noted that, "In 2010, Co-Operative bank invested over Kshs. 0.5 Billion on Information Technology infrastructure with the world's leading core banking solution, which will support the Bank's expansion strategy. The Information Technology infrastructure includes a new generation core banking system, state of the art data centre and an enhanced Automated Teller Machines network (Co-Operative Bank Kenya 2014)".

Modern and robust core banking system(BFUB) with a capacity to support over 15 Million customers & over 10Million transactions per day, Tier 3 data center with the latest IBM servers (7 series) that enables faster processing of transactions. Specialized systems: Opics (Treasury System) and Trade Innovation (Trade finance System), custodial and fund management services among others with high level security certification to secure all our data .

During the 3rd quarter of 2014, the bank launched yet another innovative alternative banking channel under the brand name - ‘MCo-op Cash’. This is a mobile wallet that enables both customers and non-customers across all networks to open bank accounts, apply for loans and also make cash and utility payments straight from their mobile phones. MCo-op Cash has innovative platforms and will also enable users to transfer funds across banks, micro finance institutions and mobile networks, and thereby deliver a greatly-improved service experience to users. Already over 1.42 Million customers have registered to date and the target is to register the bank’s over 5.1 Million account holders and the over 10 Million Kenyans in the Co-operative Movement that is the largest in Africa. The service is accessed through USSD code, *667#.

The bank introduced Seamless Internet Banking products and brand propositions are designed to far exceed customer expectations and respond to diversification and sophistication of customer needs as well as changes in the business environment. The bank’s internet-banking solution Co-opNet has contributed to growth in customer base especially for Kenyans in the Diaspora and already serves over 33,500 clients.

Convenient Agent & Point of Sale (POS) Banking, the Bank is at the forefront in implementation of agency banking model, currently working with over 9,000 agents countrywide. Agents, who will include co-operative societies, supermarkets, ordinary shops, petrol stations among other outlets enable customers' access banking services beyond official banking hours. Due to the greater geographical area covered by agents, customers also enjoy better convenience as services come closer to their most preferred location.

4.4.4 Customer Care and Operations Strategies

The customer service program was designed around the concept of delivering enhanced customer value and experiences as well as excellence in service under the theme 'We are You''. We engaged in continuous re-engineering of business processes to make them simpler and more efficient without diminishing their integrity. Thee bank invested in modern customer relationship management (CRM) software to facilitate timely and exceptional client satisfaction. The bank Call Centre facility has boosted efficiency in customer interactions through efficient logging, tracking and monitoring of enquiries to conclusion.

The customer care and operation strategies were aimed at determining the customer satisfaction when using the bank products. The researcher found that several improvements have being undertaken by the bank to manage customer visits and to "decongest" its branches include:- Investment in information technology infrastructure.', Opening of new branches (Over 138 by the end of 2015). Establishment of branchless banking model that allows its customers to use any of its 145 branches depending on convenience. Introduction of an expansive ATM network (Over 585 as at the end of December 2015). Introduction of Electronic banking which includes mobile banking and internet banking.

4.4.5 Human Resource Strategies

This HRM Strategies was aimed at determining the strength of the bank's human capital in terms of what strategies have you put in place to build a competent and motivated staff. The researcher noted that the bank has been training its staff in various management courses at Co-Operative training center. In the 2014 financial report the Chief Executive noted that, the bank completed the first phase of its leadership development program where all staff in management positions went through the training.

The bank had made changes which made the organizational structure to improve your ccompetitiveness. The researcher noted that the bank had expanded the management board by creating positions geared to competitive strategies like Director for Regional Expansion, Director of Leadership Development and Corporate Change, and Director for Corporate Banking (Co-Operative Bank Kenya 2015).

4.4.6 Other Findings

This section was aimed at gathering any information that would offer more insight on the bank's strategy. In his presentation of 2015 financial results the Chief Executive presented the bank strategy as:- Leveraging on huge capital base to enhance present and future earnings growth, Investment in superior technology to allow convergence of banking & telecommunications (MPESA), allow leverage on large customer base to deliver nonbanking services such as custodial, insurance and investment banking services, enhance efficiency such as the way 4 switch and enhance security such as the VISA technology that reduce credit card frauds.

Regional and national growth to enhance future growth & earnings prospects in

Southern Sudan and ddiversification of funding strategy, capital, debt and customer deposits. Allow greater product diversification and stability. Optimizing interest earning assets and enhancement of asset quality with emphasis on quality of loan portfolio – improvement in PAR, enhancement of NPL coverage and diversification of loan book to mitigate risk. Roll out of an SME strategy; align business with evolving customer needs and rretention strategy for graduating customers becoming acquisition strategy for SME clients.

4.5 Corporate Governance

Corporate governance is the system through which corporations are directed, controlled and operated as power is exercised over its assets and resources. From the research, Co-Operative bank considers corporate governance to be a critical issue towards maintenance of business integrity and stakeholders' trust and is therefore an integral part of our business philosophy. The bank corporate governance values are founded on the pillars of responsibility, accountability, fairness and transparency. Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya developed by the Centre for Corporate Governance and the Capital Markets Authority (CMA) set out standards which are part of the broader corporate governance best practice principles the bank adheres to.

The Board is responsible for the bank's corporate governance practices and has in place mechanisms to ensure observance and report on its compliance status on a regular basis including with regard to provisions of the Prudential Guidelines from the Central Bank of Kenya under the Banking Act. The found out that the corporate governance is managed by the board.The bank is governed by a Board of Directors appointed by shareholders. The Board consists of twelve directors who are nonexecutive except for the Managing Director who is executive. Notably, seven members of the Board are elected from the co-operative movement and represent the strategic and majority shareholder in the bank - Co-opHoldings Cooperative Society Limited.

In accordance with the company's Articles of Association, the Board should include the Commissioner of Co-operative Development appointed under the Co-operative Societies Act and the Principle Secretary to the Treasury appointed under Principle Secretary to the Treasury (Incorporation) Act. The Board is composed of directors with a diverse mix of skills, experience and competences in the relevant fields of expertise and is well placed to take the business forward. The Company Secretary is responsible for monitoring and co-coordinating the Board's agenda and papers.

The research also finds out that aappointments and induction to the Board Directors are is done in accordance with the company's Articles of Association. At every Annual General Meeting, one third of directors are eligible to retire by rotation and may offer themselves for reelection. On appointment, directors receive an induction covering the bank's business and operations. As part of this process, the bank organises for regular training on corporate governance and modern trends in directorship at Centre for Corporate Governance and other executive trainers. Directors are advised of the legal, regulatory and other obligations of a director of a listed company and updated on industry and regulatory developments as they take place. All directors also have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with.

The study established the Board of Directors is responsibilities is providing overall management and leadership to the bank and is primarily accountable to shareholders as regards the company's performance. The Board's duties and responsibilities include:

a) Setting the strategic direction of the bank and putting in place appropriate policies, systems and structures for their successful implementation;
b) Establishing and maintaining the Bank's overall systems of planning, accounting and internal controls that facilitate prudent risk assessment and management;
c) Setting policy guidelines for management and ensuring competent management of the business including the selection, supervision and remuneration of Senior Management;
d) Ensuring that the business of the Bank is conducted in compliance with relevant laws and regulations; and Monitoring the bank's performance and reporting this to shareholders especially at the Annual General Meeting.

However, the researcher also established that the Board and Strategy meetings each year in advance and provided to all directors. The full Board meets at least six times a year and special meetings may be convened when need arises. Boards of subsidiaries of the bank meet on a quarterly basis. Guidelines are in place concerning the content, presentation and delivery of papers for each Board meeting to ensure that directors have adequate information and sufficient time for appropriate briefing ahead of each meeting.

The Board is in charge of overall strategic direction and regularly sets targets as well as approves business plans which form the basis of performance assessment. On a regular basis, the Board receives reports and presentations from the Group Managing

Director &CEO on the macroeconomic environment and the impact on banking business, a review of the broader financial services industry as well as the regulatory environment.

4.5.1 Board Sub-committees

From the study, the board has sub-committees to enhance the breadth and depth of achieving Board responsibilities, the Board has delegated authority to various sub-committees although the Board retains ultimate collective accountability for performance and corporate governance. Committees of the Board are as follows:

• Audit and Risk Committee;

• Staff and Nomination Committee; and

• Credit Committee.

These committees have formally determined terms of reference with defined scope of authority, set by the Board of Directors which are from time to time refreshed to synchronise them with new developments and requirements of Central Bank (CBK) Prudential Guidelines.

4.5.2 Audit and Risk Committee

The Committee comprises at least three non-executive directors, the majority of whom are independent nonexecutive directors. The Committee meets at least once every three months and at least twice in a year with the external and internal auditors without management being present. Meetings are normally attended by resources from the Departments of Internal Audit, Risk Management and Compliance. The objective of this Committee is to provide independent oversight of the Group's financial reporting and internal control system, ensure checks and balances within the Bank, its subsidiaries and related institutions are in place and recommend appropriate remedial action regularly and

ensure quality integrity and reliability of the Bank's and its subsidiaries risk management.

It also assists the Board of Directors in the discharge of its duties relating to the corporate accountability and associated risks in terms of management, assurance and reporting. The terms of reference of the Committee are achieved through review and evaluation of the financial status of the bank, review of internal controls, consider performance and findings of internal auditors and recommend appropriate remedial action, nominate external auditors for appointment by shareholders, review management reports and reports from external auditors concerning deviations and weaknesses in accounting and operational controls, coordinate between the internal audit function and external auditors.

They also monitor the ethical conduct of the institution and consider the development of ethical standards and requirements, including effectiveness of procedures for handling and reporting complaints, review any related party transactions that may arise within the banking institution, set out the nature, role, responsibility and authority of the risk management and independent compliance functions in the Bank and its subsidiaries and outline the scope of risk management work, monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risks, including emerging and prospective impact, provide independent and objective oversight and review of the information presented by the management taking account of risk concerns raised by the Asset Liability Committee meetings on financial, business and strategic risk.

4.5.3 Staff and Nomination Committee

The study reveals that the Committee meets at least three times in a year, the committee reviews the broad policy framework relating to the bank's and its subsidiaries' human resources, including policies on the hiring, firing, remuneration package, promotions, medical, staff loans, and all other matters as spelt out in the staff policy manual, training and staff development, staff welfare, code of conduct and performance index. The Committee also reviews the mix of skills and experience and other qualities of the Board as a whole, its Committees and the contribution of each and every director, including the Chairman in order to assess the effectiveness of the Board. The Committee reviews Board Evaluation procedures and results as well as considers reviews and recommends to the full Board of directors candidates for directorship as proposed by the shareholders and the Chief Executive.

4.5.4 Board Credit Committee

The membership of the Committee comprises of at least four directors and the Group Managing Director The Committee meets at least once every four months. The objective of this Committee is to assist the Board of Directors in reviewing and overseeing the overall lending of the bank. The Committee is responsible to review and oversee the overall lending policy of the bank, deliberate and consider loan applications beyond the discretionary limits of Management as set out in the Credit policy, review lendings by the Credit Board of Management Committee, direct,

The committee monitors, reviews and consider all issues that may materially impact on the present and future quality of the Bank's credit risk management, delegate and review lending limits to the sanctioning arms of the Bank, review the quality of the bank's loan portfolio, ensuring adequate provisions for bad and doubtful debts in compliance with prudential guidelines, ensure that the credit policy and risk lending limits are reviewed at least on an annual basis and as and when the environment so dictates, review and analyse Management's proposed Capital and Recurrent budgets.

4.5.5 Management Committees

The Board has put in place key Management Committees with defined terms of reference and scope of authority and reporting structure. The current Management Committees are as follows;

The Board of Management – This is the Executive Committee constituted to assist the Managing Director in day-to-day management of the bank's business, including formulation and implementation of business strategy and policy. This Committee is chaired by the Managing Director and includes Division Directors and other senior managers co-opted from time to time.

The Credit Board of Management – Its mandate is to receive, review and consider material, high-value and sensitive credit cases and matters. It currently has membership of all Division Directors.

The Asset and Liability Committee (ALCO) - This Committee is responsible for assisting the Board of Management in the overall management and strategy on the balanced mix of assets and liabilities, encompassing interest rates structures, liquidity, foreign exchange exposure, investment of surplus funds and capital adequacy.

Business Support Committee (BUSCO) - This is the Operational Risk Committee of the Bank that has the responsibility of overall monitoring and control of Operating, Regulatory and Market Risks facing the Bank.

The Expenditure Management Committee - This is the Tender Committee of the Bank that has as its primary mandate to receive, consider and approve capital and recurrent expenditure with reference to approved budget limits and annual cost efficiency targets.

The Staff Disciplinary Committee - This committee receives and reviews staff disciplinary cases referred by Human Resources Development and makes recommendations to the Chief Executive as is appropriate.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the whole study findings; it includes the summary of finding, conclusion, recommendation, suggestion for further studies

5.2 Summary of Findings

Kenyan Commercial banks have been forced by competition to develop strategies to help them adapt to the local and global business environment. The objective of this study was to determine which strategies were being utilized by Co-Operative Bank to respond to the competition in the Kenyan banking industry. Currently the kingdom Bank maintains a strategy similar to the other Kenyan banks although it has been more aggressive in some aspects. The generic strategies have been distribution network expansion, diversification, development of internal resources and infrastructure, and cost management.

The study reveals that the bank had clear strategies to tackle competition in the Kenyan banking industry. This is very encouraging since the essence of competitive strategies is to help organizations to grow and to create sustainable competitive advantages. Among the notable "Souring Eagle strategic plan 2014" the bank has been using include product offering diversification, branch and regional expansion, relationship marketing, financing, cost management, customer-care, innovation, and information technology strategies. Due to the successful execution of these strategies the bank has recorded a strong growth in profitability and assets.

The bank has gained varied competitive advantage by application of the various strategic alternatives mentioned above or their mix. Among the dominant strategies observed are financial management, expansion and development of niche markets, mergers and acquisition strategies, development of business infrastructure. In terms of financial performance Co-Operative Bank, the bank has grown its assets faster than the industrial average. Its profitability has been one of the highest among the listed banks up to 2015.

However, performance in first quarter in 2016 the performance increased drastically to that of the other leading banks like Equity Bank, Kenya Commercial Bank and Barclays. One the assets growth front the competing banks have been closing the gap by listing more shares and issuing bonds. The study also reveals that the competition in the bank industry has increased the level of foreign ownership in the local banks.

On expansion and development of niche markets, Co-Operative bank has built a strong appeal in the last decade that has entrenched it into some niche markets. Some of the niches include micro-finance, banc-assurance, and investment banking. The appeals like the "We are you and the Kingdom Bank" advertising campaign have been geared to the mass market. The bank has also started to venture into corporate banking and building an army of marketers to deepen its customer relationship. Development of such relationships would ensure the customers utilize more bank products and are shielded from competition.

The Kingdom Bank has been using its expansive nationwide coverage to compete for businesses requiring such networks. It has successfully acquired accounts like CDF (Constituency Development Fund), KRA collection accounts, Women Development Fund, Kenya Power Company, and KENGEN. Consolidation through mergers and acquisitions has led to the creation of bigger and more efficient institution in the bank industry. On the expansion from the bank has been successful to make several acquisitions to leverage its growth. However the bank might not have the option for long as its market dominance is bound to make it a focus of the monopoly and competition commission.

The bank has been distributing most of its profits to shareholders but has been aggressively investing the profits in developing the business infrastructure. The bank has made heavy investments in branding, information systems and staff development. Branding ensures customer royalty, a reliable workforce enables the bank to develop a reliable and sustained customer satisfaction, and improved information system enables the workforce to be more efficient. Information revolution in the internet and mobile has become a key drive of competition in the bank industry by eliminating some entry barriers and allowing development new products.

5.3 Conclusion

The findings of this study prove the fact that Co-Operative Bank has a well defined strategy being used to compete in the banking industry. The strategies being used by Co-Operative Bank have strong leaning to the blue ocean strategy. The study shows that the strategy being executed by Co-Operative Bank has helped it to outperform its peers. The management of Co-Operative bank has expressed satisfaction with the strategy as it has helped them to grow well so far.

5.4 Limitations of the study

There was lack of response from the bank's executive directors forcing as to resort to secondary data whose authenticity may be questioned, as it may be have been reported out of context. As secondary data is mainly press communications the interviews may not have given honest answers to the application of the bank's strategy to protect it and not to be seen as owners of a failed system.

The quoted interviewees weren't required to explain the reason for the responses or statements and therefore to arrive at the conclusions made in the study reference had to be made to the background events and the literature reviewed.

The strategies that had been used by the bank were so diverse that the research had to limit the scope due to limitations of resources.

5.4 Problems encountered

The researcher encountered the problem of the bank's executive director's unwillingness to complete the questionnaires. Some were out rightly reluctant as they felt that their strategy was confidential information. While others kept the questionnaires for weeks only to return them and advising us to refer to the media and their website.

5.5 Recommendations for further research

More research is needed to establish the opinion of the line and functional managers towards the bank competition strategies.

There seems to be some setbacks with the expansion strategy based on its impact on the profitability; a study needs to be taken to find out why this is the case to help refine the strategy.

The study of competition strategy management in the Kenyan bank industry is another area of future research.

The study of the impact of the growth of micro businesses to Small and Medium

Enterprises (SME’s) on the bank competition strategy is another area of future research.

There is a need to undertake a research identified by the research have been engraved into the banks corporate culture to ensure sustainability of the competitive strategy.

Equity Bank already controls over 50% of the existing bank accounts, research needs to be undertaken to determine whether the bank growth needs to be checked to avoid the creation of a “to big to fail monster” like AIG. This research would be very valuable in determining whether Equity Bank should be allowed to buy out NationalBank.