STRATEGIC RESPONSES BY THE NATIONAL BANK OF KENYA LIMITED TO CHALLENGES OF GLOBALIZATION

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DECLARATION

This research proposal is my original work and has not been submitted for any award in any other university.

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This proposal has been submitted with our approval as University Supervisors.

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DEDICATION

I would like to dedicate this study to my baby sister Hereen and my sponsor Helene Eberth and her family for their financial support. My dear friends Vincent, Edith, Amos, Okite, Faith and Chebet, I owe you guys big-time. Not forgetting my mentor and supervisor Dr. Vincent N. Machuki, without him, this would have been exercise in futility.

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I believe that the contribution of the findings and recommendations will contribute immensely to strategic responses by banks and other financial institutions to challenges brought about by globalization.

ABSTRACT

Globalization has brought competition to the door steps of most companies in every industry the world over. It is an attempt to reduce the vast world to a mere global village by facilitating interaction of people and business transactions through technological breakthroughs. A gap exists on the strategic measures that a financial institution operating locally should take to counter the challenges of globalization without necessarily trading in the international market. The National Bank Kenya thus becomes the focus organization that the study uses to fill up this knowledge gap. The research question therefore is: What strategic responses is the National Bank of Kenya putting in place to arrest the challenges of globalization? The objectives of the study were to establish the challenges of globalization faced by National Bank of Kenya limited and the strategic responses by the National Bank of Kenya Limited to challenges of globalization. The study used the case study design to gather qualitative data using an interview guide and it focused on the National Bank of Kenya Limited. The primary data upon being cleaned and presented according to the study themes was analyzed through content analysis (qualitative analysis). The findings reveal that the bank has not reviewed its mission for the last five years. Globalization has had an impact on every single department in the bank. As such, the bank has put in place strategies to counter the challenges of globalization. The study recommends that the bank should embrace the various aspects of globalization in its entire departments as they are mostly positive and beneficial to the company.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globalization is a phenomenon that has brought competition to the door steps of most companies in every industry the world over. It is an attempt to reduce the vast world to a mere global village by facilitating interaction of people and business transactions through technological breakthroughs. The Internet revolution is one such technological ingenuities upon which globalization has thrived. In economic fronts, the world has ceased to be a collection of relatively autonomous economic agents that are only marginally connected to be more or less immune to the events in their neighborhoods. However, today, globalization involves numerous features, with the following being the most salient. First, is internalization of production that is concomitant with changes in the structure of production. Second is the expansion of international trade in goods and services. Lastly, is the widening and deepening of international capital flows (Jovanovic, 2011).

Even though globalization is credited with a host of benefits to businesses, its setbacks need well thought-out strategic responses not only to guarantee the principle of going concern, and expedite the achievement of returns on capital. The challenges come in different facets that sometimes require customized strategic responses by affected firms. Therefore, failure by firms to master the competitive trends brought about by globalization in their industries is a harbinger for doom. It is therefore imperative that companies study carefully the trajectory of globalization with respect to competition in the marketplace to enable them formulate pertinent strategies that neutralize the challenges (Jovanovic, 2011).

To achieve the aims of their businesses, that is, staying afloat with profitability; organizations must, as a necessity, devise specific, realistic, and achievable strategic responses to the challenges posed by globalization to their businesses. It is an industry that is crucial to the economic growth or decline of a country's economy (Kosmidou & Zopounidis, 2004).

1.1.1 The Concept of Globalization

Globalization has ceased to be an abstraction but a stark reality that virtually all organizations, large and a small, face. Organizations that want to survive in the 21st century must confront this all-encompassing force that pervades every aspect of business. In a wide range of industries, organizations face the pressures of global competition at home as well as in international markets. Choosing not to participate in global markets is no longer an option. All organizations, regardless of their size, have to craft strategies in the broader context of world markets to anticipate, respond and adapt to the changing configuration of these markets (Gabrielsson *et al.*, 2008).

Globalization has brought intense competition to domestic industries that have had to formulate survival as well as triumphant strategic responses to address the challenge. New sources of competition have emerged with the opening up of markets, the accelerating pace of change, and the shrinking distances between markets due to technological breakthrough (Day & Wensley, 1988). The threat of competition from companies in some foreign countries also arises, as the domestic markets embrace competition, courtesy of globalization.

New advances in communications technology has greatly contributed to globalization in trade. Similarly, modern communications and information technology encourage rapid competitor response to price changes, or new distribution and promotional tactics, and further heighten the pace of competition. As a matter of fact, the global proliferation of relatively inexpensive computing power and global linkages of computer networks through telecommunications have resulted in an information-rich, computation-rich and communication-rich organizational environment (Bradley, Hausman & Nolan, 1993).

1.1.2 Strategic Responses

Strategic responses are defined with reference to the term 'strategy' in whose framework the nature and direction of an organization are made (Pride, Hughes & Kapoor, 2011). Organizations formulate strategic responses in reaction to operating environmental turbulence. Strategic responses can also be viewed as the attempt to match activities of a firm to the operating environment. The necessity to formulate strategic responses is occasioned by drastic or gradual changes that occur in a firm's operating environment (Langabeer & Napiewocki, 2000). Ansoff and McDonnel (1990) concur that in an event where a firm finds itself coasting on unfamiliar operating territory, it should revise its strategy in order to be safe. These responses are directed at finding long-term, medium term, or short term solution to challenges of an organization. Accordingly, they can be either reactive or active depending on the level of preparedness of an organization.

Abdallah and Albadri (2010) talk of a five-phase model that involves the formulation and implementation of strategic responses. Phase one entails strategic intelligence gathering and analysis. It ensures that the depth and breadth of information on which strategic decisions are based is up-to-date, accurate, and relevant. Phase two consists of strategy formulation which gives results in the creation of a strategic vision or profile. Phase three is referred to as strategic master project planning. During this stage, the plan for strategy implementation is developed in order to align the organization structure with the strategy (Griffin, 2010). Phase four involves strategy implementation whereby the planned actions are taken, implementation is monitored, and the strategic master project plan is modified as and when required; and phase five - strategy monitoring, review, and updating - helps to determine whether there is success in the overall strategic response (Griffin, 2010).

Strategic responses are important in considering the best way to deal with the internal weaknesses and avoid external threats facing an organization. According to Hill and Jones (2004), firms can initiate internal new venturing as a strategy when it has a set of valuable competencies in its existing business that can be leveraged to enter a new business area. Strategy can also enable a company to enter and compete in a new business segment or an emerging market without established players. These responses, moreover, endeavor to meet challenges of a rapidly changing markets and increasing global competition. Managers should assess key competencies and develop strategies to compete effectively (Bradley *et al.,* 2003). Moreover, according to Johnson and Scholes (2002), strategic responses facilitate the achievement of competitive advantage for a company through the mode of arrangement of resources within a changing environment.

1.1.3 The Banking Industry in Kenya

The banking industry in Kenya comprises of the commercial banks, investment banks and micro-finance institutions. The Central Bank of Kenya (CBK) acts as a regulator to monetary policies and practices that define the operations of players in the industry. The industry is governed by the Companies Act, the Banking Act, the CBK Act and the various prudential guidelines issued by the CBK. The liberalization of the banking industry in 1995 was the first step towards globalizing the sector. Thereafter, the industry has been operating in the global marketplace where it has been dealing with the challenges of competition posed by the trend (Kenya Bankers Association, 2010).

Commercial banks provide a broad array of corporate financial services that address the specific needs of private enterprise including deposit, loan, and trading facilities but will not service investment activities in financial markets (Magutu et al., 2009). In Kenya, commercial banks play a number of roles in the financial stability and cash flow of the country's private sector. These include processing payments; issuing bank cheques and drafts; accepting money on term deposits; and acting as moneylenders, by way of installment loans and overdrafts. The industry has been discharging these services amidst competition among different players. Nevertheless, the industry has continued to grow in assets, deposits, profitability and products offering (KBA, 2010).

This industry has witnessed the trends of globalization that has forced its players to formulate novel ways of countering the turbulence. The free flow of labour, for instance has attracted different skills from foreign countries to offer their expertise to banks, especially multinationals (Okwalo, 2008). The international transfer of money has become a core business activity and therefore banks have had to partner with such firms as Western Union, MoneyGram, PayPal, et cetera to inure to this challenge. The Internet banking, popularly known as e-banking has become necessary for banks to adopt given the mobility of their clients who would want to enjoy their services wherever they are. Besides, the introduction of Visa Cards has been in response to these customers who would want to make transactions with the bank wherever they are in the globe (KBA, 2010).

1.1.4 The National Bank of Kenya

National Bank of Kenya Limited (NBK) was incorporated in June 1968 as a 100 percent government-owned financial institution and officially opened in November 1968. The bank was formed with a view of helping Kenyans get access to credit and control the economy after independence (NBK, 2012). The bank's vision is to be a bank of choice in provision of financial solutions. In 1994, the government reduced its shareholding by 32% (40 million shares) to members of the public. Similarly, in May 1996, it further reduced its shareholding by 40 million shares to the public.

National Bank of Kenya Limited is a large financial services provider in Kenya, serving individuals, small to medium business enterprises (SMEs) as well as large corporations

(KBA, 2010). The bank has continued to provide banking services in the hostile financial environment that globalization has brought. Technology has made such services as transfer of money simple and fast. Clients have become so knowledgeable about these technologies that banks have had to embrace them. National Bank has consequently incorporated Money Gram and other instantaneous money transfer technologies (NBK, 2012). It adopted cheque truncation policy that aimed to expedite payment in order to be responsive to the changing environment. To increase its accessibility, the bank opened many branches and currently its branch network is made up of 44 branches and agencies (NBK, 2012). It has also installed many automated teller machines (ATMs) for a similar course. In an environment where instant exchange of information is indispensible, the industry has launched electronic banking and mobile banking that enhance convenience of clients.

Globalization has brought intense competition both from the foreign banks and domestic banks. Some of these competing banks enjoy economies of scale that makes them top in the industry. The National Bank of Kenya needs strategic responses to help it neutralize this competition. Cases of fraud have increasingly been reported at the wake of globalization in the country. Many banks have been defrauded of millions of shilling, thus making them to conjure up means of dealing with the menace. Consequently, the strategies such as Know Your Customer (KYC) have been emphasized by banks (KBA, 2010). Globalization has also caused increased cases of money laundering where individuals engage in underhand deals to get money and deposit it in banks across the globe in an effort to clean the money. The National Bank of Kenya must therefore formulate strategic response to deal with instances of money laundering by its clients. Employee mobility is also another aspect of globalization that has affected the operation of the National Bank of Kenya. With globalization companies have been forced to review their remuneration packages and improve working conditions and this has caused high employee turnover in most organizations (Pelkmans, 2001).

1.2 Research Problem

Globalization of markets has brought a lot of benefits to organizations especially those that have adopted its tenets and therefore engage in international trade. However, its impacts have not only been felt by multinationals and other organizations trading in the international markets since even domestic firms have received their sting, hence forced to adjust. The challenges that the phenomenon brings can potentially ground the operations of an organization that ignores them (Baldwin & Winters, 2007). Telecommunication advancement is the pillar of globalization and any organization interested in business must embrace its latest versions. It seldom matters whether the organization operates locally or internationally. Globalization does not recognize the customization of marketplaces and hence brings other sophisticated firms to compete therein. Domestic firms must thereforc craft strategic responses to counter these challenges. Subsequently, these strategic responses should be capable of adjusting the firms' operations to give them a global outlook (Baldwin & Winters, 2007).

The National Bank of Kenya has found itself operating locally but in a global marketplace. Global because its competitors are multinationals such as Citi Group, Barclays, Standard Chartered; others are international banks such as Ecobank, Stanbik Bank. For these banks to operate in Kenya, they have definitely internalized the tenets of globalization in business. The National Bank of Kenya cannot therefore ignore the technological developments that the phenomenon occasions in the industry without taking an active part in their implementation. To successfully operate in the global market, the bank must have viable strategic responses to guide its operations in the market. These strategic responses equip the firm with requisite skills, policies, and resources that enable the management to successfully combat the unsavoury effects of globalization. Moreover, if the management spots an opportunity occasioned by the latter, the formulated strategic responses enable it to take advantage of it and hence catapult the organization to another level. Indeed, strategic responses, if well-articulated and implemented to the letter, will no double yield competitive advantage for the firm as Thompson and Strickland (2003) found out. However, the nature of these strategic responses is yet to be laid bare by this study.

Researchers have endeavoured to diagnose with thoroughness how globalization brings both benefits and setbacks to the banking sector in general and how prudent banks restructure themselves to accommodate the indispensible demands of the phenomenon. For example, Njagi (2010) researched about the strategic responses that the Kenya Revenue Authority puts in place to combat the challenges of globalization. Mwasho (2007) looked at the strategic responses of Barclays Bank of Kenya; Masiga (2009), researched on the responses of Safaricom Limited; and Mwangangi (2009) delved into responses of the pharmaceutical industry in Kenya. Moreover, Kamau (2008) researched on the strategic responses to the challenges of globalization as employed by Kenya Airways.

However, a gap exists on the strategic measures that a financial institution operating locally should take to counter the challenges of globalization without necessarily trading in the international market. The National Bank Kenya thus becomes the focus organization that the study uses to fill up this knowledge gap. The research question therefore is: What strategic responses is the National Bank of Kenya putting in place to arrest the challenges of globalization and their effectiveness?

1.3 Research Objectives

The study will be guided by the following objectives:

i) To establish the challenges of globalization faced by National Bank of Kenya limited.

ii) To establish strategic responses by the National Bank of Kenya to challenges of globalization.

1.4 Value of the Study

The study is valuable to both contemporary and future researchers who will delve into the depths of knowledge on the strategic responses of domestic firms in global marketplace. Since there is no literature on the focus of this study, it will definitely add to the body of literature on broader challenges of globalization to businesses. From a theoretical standpoint therefore, it contributes to the general understanding of how banks respond to challenges of globalization.

Policy-makers may benefit from the issues and insights raised in the study that are important in developing the frameworks where formation of such organizations might be enhanced to keep them in sustainable competition. The study will set precedence to be followed by consultants of other commercial banks when confronted with a similar situation.

In practice, the results of the study will be of immense benefit to the Central Bank as a regulator, and the government of Kenya on the strategic responses to the challenges that come about as a result globalization by commercial banks. The government may find this study useful in identifying the some of these challenges. Most importantly, the study is meant to help the National Bank of Kenya management to polish its policies regarding globalization in the banking sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains a review of literature on the most salient challenges that globalization poses to organizations and how they can be curbed. The chapter further, looks at the various kinds of strategic responses that a firm, especially in the banking sector, ought to put in place to effectively and efficiently to deal with the said challenges to enable it thrive in the business.

2.2 Theory of Globalization

Eden and Lenway (2001) defined globalization as the creation and growth of globalized activities, that is, a phenomenon that transcends national borders, extending across, leveraging, and moving between many locations around the globe simultaneously. Gabrielsson and colleagues (2008) have therefore rightly argued that globalization has benefited western multinationals by allowing them to create global value-chain networks that have in turn allowed them to locate global activities such as production, research and development, and marketing in the most attractive countries of the world. These multinationals have taken advantage of favorable factor conditions in developing economies, besides acting as change agents and thereby enhancing the capabilities of these countries (Gabrielsson et al., 2008).

Thompson and Strickland (1993) have described globalization as the strategy of approaching worldwide markets with standardized products and as such has made it easy for the task of pursuing international business strategies as trade among nations has been liberalized with a tremendous reduction in trade barriers. The fewer trade barriers have also led to the spread of improved technologies, communication systems, transportation systems and logistics, which together facilitate the exchange relationships between an organization and its customers, suppliers and other actors across the globe (Abdel-Bar, 2006). Organizations have no choice but to embrace these trends in order to remain competitive in business. The strategic responses that a firm employs depend so much on its capabilities and competencies. Some firms opt to partner with other stronger firms if they lack the capability to create synergy and confront these challenges (Aydogan, 2008).

According to Schmulker (2004), financial globalization (which is relevant to this study) is understood as the integration of a country's local financial system with international financial markets and institutions. Typically, this integration requires that governments liberalize their domestic financial sectors and the capital account (Zumaquero, 2006). Schmulker observed that integration only occurs when the liberalized economies experience an increase in capital movement across countries with active participation of local borrowers and lenders in international markets as well as a widespread use of global financial intermediaries (Schmulker, 2004).

2.3 Forces of Globalization

The main forces that have driven global integration have been technological innovations, broader political changes and economic policies (Macrory et al., 2005). In the case of technological innovations, chief among these driving forces of globalization include inventions that improve the speed of transportation and communications and lower their costs. Some of the examples included the development of the jet engine and its universal use in aviation for transporting people and goods and the adoption of containerization in international shipping. Massive investments in road infrastructure have allowed large shares of trade to be carried by freight trucks in Western Europe and North America. The other dramatic change is the revolution in information and communication technology (Macrory et al., 2005).

A key driver of globalization has been economic policy which resulted in deregulation and the reduction or elimination of restrictions on international trade and financial transactions (Greenspan, 2001). Currencies became convertible and balance-of-payments restrictions were relaxed. In effect, for many years after the end of the Second World War (WWII) it was currency and payments restrictions rather than tariffs that limited trade the most. The birth of the Euro-Dollar market was a major step towards increasing the availability of international liquidity and promoting cross-border transactions in Western Europe (Epstein, 2005). Beginning in the 1970s, many governments deregulated major service industries such as transport and telecommunications. Deregulation involved a range of actions, from removal, reduction and simplification of government restrictions, to privatization of state-owned enterprises and to liberalization of these industries so as to increase competition (Epstein, 2005).

Regarding trade, liberalization was pursued multilaterally through successive General Agreement on Tariffs and Trade (GATT) negotiations (Macrory et al., 2005). Increasingly, bilateral and regional trade agreements became an important aspect of (preferential) trade liberalization as well, though many countries undertook trade reforms unilaterally. In the case of developing countries, their early commercial policies had an inward-looking focus. Industrialization through import substitution was the favored route to economic development (Macrory et al., 2005).

2.4 Impact of Globalization to Organization

According to a report by World Economic Forum (2007), many people associate globalization with the sharply private capital flows to developing countries. Foreign direct investment (FDI) flows have continued to increase across countries especially in the emerging market economies. The report further says that the net private capital flows to emerging markets is expected to decline in 2007 partly due to reduced demand for external financing, as many economies have been running current account surpluses for several consecutive years and have accumulated vast amounts of foreign reserves, thus becoming less dependent on international capital, at least cyclically in the short run (World Economic Forum, 2007). Organizations have also increased their offshore investments in foreign equities markets through wider distribution of equity management companies.

Globalization has occasioned free movement of workers from one country to another partly to find better employment opportunities (Pelkmans, 2001). Most economic migrations occur between developing countries. The flow of migrants to advanced economies is likely to provide a means through which global wages converge. There is also the potential of skills to be transferred back to the developing countries and for wages in those countries to rise (Pelkmans, 2001). Therefore, companies have found themselves sourcing for human resource across national boundaries resulting in cultural diversity within which an organization that influences policies.

Information exchange has become an integral aspect of globalization. With the growing technology, sophisticated information equipment and software have expedited the process of globalization forcing organizations to adapt to the new business environment (Lim, 2002). FDI for instance, has not only brought an expansion of physical capital stock, but also technical innovation.

2.5 Challenges of Globalization

Researchers have over the years identified the numerous challenges that are associated with globalization (Ali, 2000; Dunning, 1993; Parker, 2005). These challenges have unsavoury impact on the operations of an organization if they are not dealt with using proper mechanisms. According to Dunning (1993), globalization brings competition both from foreign firms as well as domestic firms that operate in a similar industry. The researcher observes that multinationals operating in other countries import new ways of doing businesses with the aid of the ever changing technology that alters how the business is done (Norris & Hurley, 2000).

Organizations endeavor to use equipment and work-processes that will improve the quality of their products or services. Total Quality Management (TQM) has thus become a household management model in most firms, spearheaded by the demand for quality products/services in the global markets (Sarma, 1998). Porter (1998) observes that innovative techniques that are properly articulated by an organization on its product/services create competitive leverage since they yield uniqueness in the product line that may have a wider appeal to clients. To cap it all, organizations that swiftly attune their operations according to the changes in their operating environments are likely to gain competitive advantage as per Michael Porter's generic competitive strategies (Porter, 1998).

Globalization has greatly altered the psyche of consumers who have become more knowledgeable about what they want. According to Glanville and Glanville (2000), consumers demand value for their money and a producer who is not responsive to this fact risk losing out. The influx of foreign firms in most developing countries coupled with the Internet revolution have intellectually empowered consumers in one region to compared themselves to those in other regions, hence the high demand for value within a certain timeframe for their money (Greener, Simmons & Powell, 2009).

Firms that hitherto did business without considering what their clients want have become casualties of the globalized customer. In this regard, according to the authors, organizations must be alert to the changing tastes of their customers by gathering market intelligence regularly (Greener, Simmons & Powell, 2009). Banks that are abreast of the global trends, for example, have instituted electronic customer feedback systems that give instantaneous response about the service. An organization that lacks the mechanisms of obtaining valuable information from customer will not thrive in the global marketplace (Callingham, 2004).

Gaining competitive advantage in the global marketplace involves offering goods and services at affordable prices without compromising quality (Porter, 1998). As a result of globalization, therefore, an organization must strive to build a cost-efficient production and develop efficient networks with supplies. Companies are procuring their raw materials from low-priced vendors, even when they are found overseas (Kerkhoff, 2006); they use production techniques that pull demand and significantly reduce production cost (Kerkhoff, 2006). Production can even be done in other countries like China that are free trading zones (Kerkhoff, 2006). The objective of all this is to reduce price of the final product /service, keep quality intact and eventually become competitive in the international market. However, as Kotler and his colleagues (2009) rightly quip, it must be reckoned that a firm needs adequate resources, both tangible and intangible, to accomplish this novel trading pattern occasioned by globalization. Igor Ansoff has provided various ways of forming alliances and partners to confront globalization challenges and remain in business (Ansoff & McDonnel).

2.6 Strategic Responses to Challenges of Globalization

Many scholars have given various definitions of strategic responses, albeit with a tenuous line of difference. According to Sternad (2011), strategic response is the reaction of a firm or an organization to the environmental changes. That is, the matching of an organization's resources and activities to the operating environment. Zimmermann (2011), on the other hand defines strategic response as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firm's objectives in reaction to the changes in the external environment. The challenges of globalization are numerous and threatening, and therefore require appropriate strategic responses.

Johnson and Scholes (2002) note that strategic responses should be medium to long-term since the challenges for which they are formulated can be enduring and an organization must facilitate competitive advantage despite the turbulence. By wisely using its resources to adapt to the changing environment, an organization would be able to meet the needs of markets and fulfill stakeholders' expectations (Jones & Scholes, 2002). According to Ohmae, (1993), the purpose of strategic response is to empower an organization to efficiently gain a sustainable competitive edge over its competitors. Hill and Jones (2004) conclude that the strategies an organization pursues have a major impact on its performance relative to its peers and hence it's sustainable competitive advantage.

Forming strategic alliance is one way of countering the effects of globalization. Indeed, it is a strategic response that facilitates an agreement between firms to do business together in ways that go beyond normal company-to-company dealings (Wheelen & Hungar, 2000). These alliances range from informal to formal agreements with lengthy contracts in which the parties may also exchange equity, or contribute capital to form a joint venture (Elmuti & Kathawala, 2001). According to Brucellaria (1997), strategic alliances are partnerships of two or more corporations or business units that work together to achieve strategically significant objectives that are mutually beneficial. If correctly implemented, argues the author, the potential of strategic alliances strategy is enormous for it can dramatically improve an organization's operations and competitiveness (Brucellaria, 1997).

The study conducted by Coopers and Lybrand rated growth strategies and entering new markets as among the top reasons for forming strategic alliances (Coopers & Lybrand, 1997). This is true in today's fast-paced business environment in which companies have limited time to establish new markets one by one. It has therefore become convenient for organizations to form alliances with companies that already exist in that marketplace. Moreover, acquisition of technology can be achieved through strategic alliances given that not all companies provide technology that they need to compete effectively in their markets (Martinez-Fierro, 2006). For example, establishing an enterprise resource planning (ERP) software is very expensive both in terms of money and the expertise (Norris & Hurley, 2000).

The global trend of outsourcing has increased the pace of strategic alliances where companies give up their non-core activities to third-party service providers and concentrate on their core business activities (Kerkhoff, 2006). The soaring number of 3PL firms (third party logistics providers) is a testimony to this fact. By outsourcing the said activities, the company can efficiently channel all its resources toward the production of outputs for which it is in the business. As a result, quality production of products/service can leverage its competitive advantage (Kerkhoff, 2006).

Innovation strategy is another response strategy that taps into the deep insights of an organization's human spirit and knowledge; generates a pipeline of ideas that are evaluated, selected and ventured using disciplined tools, methods and processes (Tucker, 2009). Innovation strategy enables organizations to compete favorably in the global marketplace since it improves business performance of organizations that emphasize it (Kim & Mauborgne, 2005). According to Daft and Lane (2009), innovation is the response to environmental turbulence for future opportunities. The uncertainty, risk and change that set in once the operating environment has been disturbed are the catalysts for innovation (Braganza & Ward, 2001).

Research and Development (R&D) departments have the responsibility of generating new ways of doing business through innovations. Investing in this department therefore, can facilitate the generation of new ways of doing things. In his empirical study, Afuah (2003) confirmed the notion advanced by Brockhoff (1998) that the R&D department, apart from generating new knowledge, also disseminates and enhances the organization's ability to assimilate this knowledge. Kalling and Styhre (2003) have reiterated that the department brings value to creativity through mixing new concepts and ideas so as to generate application. Njagi (2010) also underscores the indispensability of R&D department in the process of innovation by an organization. Sustainable growth through innovation has ceased to be optional since it is central to the valuations of commercial enterprises, irrespective of economic conditions (Mitra & Gupta, 2008). Challenges of globalization to businesses notwithstanding, innovation strategy remains paramount to the success of a business. The centrality of the innovation imperative, then does not rest on whether to innovate, or even how to, but rather on how to institutionalize innovation; how to build a climate and culture of innovation, agility, and entrepreneurship (Mitra & Gupta, 2008).

Diversification strategy is another strategic response associated with a change in the characteristics of an organization's product line and/or market (Ansoff & McDonnel, 1990). Diversification requires new skills, new techniques and new facilities to be realized. Accordingly, it almost invariably leads to physical and organizational changes in the structure of the business that represent a distinct break with past business experience (Ansoff & McDonnel, 1990).

In a global marketplace where customer needs are always influx, it becomes necessary for an organization to either improvise or sometimes overhaul its product line in order to cater for the changing needs of customers. The market can be unforgiving for a firm that does not gather intelligence on the requirements of the market and hence fails to respond to it (Blenkhorn & Fleisher, 2005). Indeed, there is congruence between the above examples and the reasons given by researchers for diversification. Organizations diversify to compensate for technological obsolescence (Ndoro, 2007); to distribute risks (Bessis, 2011); to utilize excess productive capacity (Furrer, 2010); to re-invest earnings (Ndoro, 2007); among other reasons. The decision to implement this strategy should be backed up by a strong conviction of future growth prospects, if not necessitated by trends of globalization. Horizontal diversification is described by Talloo (2007) as the introduction of new products, which while seldom contribute to the present product line in anyway, cater to missions lying within an organization's expertise and experience in technology, finance, and marketing. Finally, lateral diversification involves going beyond the confines of the industry and introducing totally new service or product that belongs to another industry (Talloo, 2007).

Compensation strategy is also instrumental in mitigating the challenges of globalization. The recentralization of business activities, transnational mergers and strategic alliances, an increasing proportion of employees residing in non-headquarter countries and the global sourcing of talent translates to a need to manage a diverse, more mobile workforce and strike a balance between global strategy and local needs and constraints (Khanna & Bhasin, 2011). An increasing number of business leaders have begun to view Human Resource as the function that can truly help organizations transition from 'international' to 'global' players. Unfortunately, relatively few organizations have considered the role that total compensation – pay and benefits – ought to play in supporting the efforts of globalization. This stems from the fact that devising global compensation programs is fraught with challenges such as diverse economic situations, differing demographic patterns and conflicting talent management priorities (Pelkmans, 2001).

The HR function has been concerned with constant trainings of employees so as to equip them with new methods of doing things courtesy of globalization constraints (Khanna & Bhasin, 2011). Inventions and discoveries of simple and efficient ways of operations happen regularly and are disseminated across the globe and therefore it is imperative that staff is trained on these novel methods of operations constraints (Khanna & Bhasin, 2011). In so doing, the function enables an organization to counter some of the challenges posed by globalization.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methods that was used to provide answers to the research questions outlined in chapter one. The following aspects of research methodology are discussed namely: research design, study population, data collection procedure and data analysis.

3.2 Research Design

This study on strategic responses to challenges of globalization was studied using the qualitative research method that utilizes the case study approach of the National Bank of Kenya. As stated by Kothari (1990), a case study involves complete observation of a social unit; a person, institution. This approach was suitable for the study because it aimed at giving an in-depth account of the challenges that National Bank of Kenya Limited is facing in a globalized economy and in-depth account of how the company has been responding to these challenges.

Moreover, a case study provided an in-depth investigation of a single individual, group, institution or phenomena to explore causation in order to find underlying principles. The data obtained is usually more detailed, varied and most extensive. Kothari (2004) indicates that a case study, in most cases, involves qualitative data.

3.3 Data Collection

The researcher used primary data to carry out the study. An interview guide was used to facilitate the collection of data from the respondents. Primary data was collected by way of personal interview with an interview guide that consisted open ended questions. An interview guide was useful in directing the researcher towards the topic as he wanted to learn about it. This was necessary to help one understand what to ask about, in what sequence, how to pose questions and how to pose follow-ups. It also guided the researcher on what to do or say next after the interviewee had answered the last question. The interviewees in this study were the General Managers and Executive Directors of six major departments who were involved in the formulation of strategies and day to day operations of the Bank. The research was conducted in the Departments of Human Resources, Operations, Finance and Administration, Information and Technology, Credit and Business Development departments.

3.4 Data Analysis

Considering the qualitative nature of the study and the envisaged response as per the interview guide, the data was analyzed using qualitative content analysis. Content analysis is a method of summarizing any form of content by counting its various aspects, thus enabling a more objective evaluation. The content that was analyzed could have been in any form but was converted into codes before it was analyzed. Content analysis was carried out to identify key themes as expected through the choice of words by the respondents.

Analysis of data collected was compared with theoretical approach and themes in literature review. The analyzed data was then interpreted with respect to research question and theory. Summary of findings, conclusions thereof and the recommendations made were presented in chapter five.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the data obtained from the interviewees in which the researcher endeavored to analyze and interpret. This was done in accordance with the aim of the study which was to establish the strategic responses used by the National Bank of Kenya to mitigate the challenges of globalization. The researcher used an interview guide for an in-depth data gathering. The data obtained was later transcribed, coded, organized and presented according to the themes of the study as well as those emerging.

4.2 Strategic Direction of the National Bank of Kenya

The National Bank of Kenya Limited is dedicated to excellence in the provision of competitive financial solutions, meeting the changing needs to its customers, and being a responsible corporate citizen. It further provides attractive opportunities to its employees and constantly improves shareholders value. These form the props on which the current mission statement of the bank is hewn. However, majority of the respondents claimed that the mission of the bank has not been reviewed for the last 5 years. A few respondents said that there have been several discussions especially during the annual general meetings to review the mission statement in line with changes in customers' needs occasioned by globalization. Nevertheless no tangible actions have been undertaken to address these concerns.

In fact, there has been little or no effort at all to effect the suggestions raised regarding the review of the mission statement. This notwithstanding the fact that all the departments of the bank such as, operations, credit, HR, finance, ICT, and business development are affected by globalization and are therefore in dire need of strategic response from the bank's top management. These responses are indicative of the dearth of deliberation by the bank's top management on reviewing the mission statement since the last five years.

4.3 Study Findings

4.3.1 Challenges of Globalization to the National Bank of Kenya

Globalization has brought the adoption of the mobile banking as well as enabling the use of debit cards to the increased of customer base as indicated by interviewee from the Business Development department. From the Operations department, it was established that globalization has facilitated innovative process such as mobile banking and Internet banking. Nevertheless, these innovations have been plagued by fraudsters who constantly try to track customers down even if it means hacking into the system. Banks have debit cards that are VISA enabled and can therefore be used in any part of the world to increase the availability of the service. These debit cards can also be swiped on special machines when shopping thus providing safety and convenience to customers.

The Human Resource department has been affected by globalization to some extent with little or no efforts made to adjust to the changes of globalization. The staff turnover has gone down but new strategies have been adopted and implemented. Globalization has also had both negative and positive impact in the loans portfolio in terms of security and loan maturity and in the ICT section, the acquisition of the latest banking systems which are evolving almost every day has been a challenge.

In the Business Development department, the main challenge towards the globalization was the inadequate experienced personnel in the areas of expertise provision and coming up with the right software. However, the bank is still reluctant to provide modern technologies. Globalization has made it difficult for companies to operate and those that have not embraced the changes that come with it have not survived in the business. Therefore, for a firm to keep operating within the charged global atmosphere, it is important that it changes its operational tactics in tandem with globalization. The NBK, for example, has undergone through the global financial crunch of 2008/9 and survived its destructive ripples simply because it embraced global strategies that enabled it ward off these ripples. Actually, the bank still affords to make profits in the post global financial crisis times.

Through its various innovative products like SIM-ple banking service, NBK has been able to acquire new customers and retain the old ones to the branch network growth in business. The bank is currently setting up new branches so that service can be offered to the customers' closer home. With technology, there are high chances of default when people improvise ways of beating the system. Moreover, the advanced technology can be a challenge to users hence prolonging time spent to recover the loans especially for the credit department. Globalization, as a matter of fact, has had both negative and positive impact in the loans portfolio. This is in terms of security and loam maturity. The ICT department according to the respondents did not have challenge, all was positive since globalization led to the allocation of the modern gadgets employed in the banking ICT infrastructure.

4.3.2 The Impact of Globalization on National Bank of Kenya

From the Business Development department, it was established that the change that the Bank's structural changes effected were geared towards the achievement of the mission statement. It emerged from the Operations department that the bank's changes in structure for the last 5 years have been in line with the changing customer needs. For example, banking in some branches has been extended to 24 hours. National Bank has also changed in Managing Director and this means a change in operations since a new person comes in with different ways of doing business. Moreover, the change means the exit of the older generation thus welcoming the younger generation with more energy and vigor. In the Human Resource department, change has been witnessed courtesy of performance appraisal that is done for every employee. More training of the personnel is also indicative of this change since it increases efficiency levels.

From the Finance department, it was established that the 2008/9 global financial crisis greatly affected the general financial health of the bank. Since then, the profits have been either declining or growing with negligible margins. The Credit department has witnessed a shift to automation and the process of loan advancement has also changed from manual to the Nero system which is Bankfusion Universal Banking. The ICT department of the bank changed its infrastructure to enhance the efficiency and the effectiveness of its employee and this was geared by the technological evolution the country has been experiencing.

The Business Development department has endeavored to implement some technologies such as Internet banking and SIM-ple mobile banking to enable our customers to explain the advantages of technology within its boundary and around the world. The Operation department has not been affected much by globalization but it has affected the competition and therefore need for coping and developing strategic ways of doing business. Globalization has resulted in more risky ways of doing business like Internet banking and therefore more precaution needs to be taken. In the Credit section of the bank, the globalization has had both negative and positive impact in the loans portfolio in terms of security and loam maturity.

Human Resource department has seen some staff moving to other banks that have embrace globalization. In the Finance department, financing large fixed investments (new branches) and the new technology financing have greatly been observed as the major impact of the globalization which has been positive. The ICT section has recorded positive growth as globalization led to the allocation of the modern gadgets employed in the banking ICT infrastructure.

4.3.3 Effects of globalization on the Bank's expansion strategies

The study established from the business development department that globalization should be seen as a medium through which the bank and other institutions should embrace growth and development. Globalization and technological innovations have brought additional transaction to personal and interconnected banking. By embracing globalization and technology, the bank has redefined itself to a new brand thus serving more people and expanding branches in order to increase its profitability.

4.4 Strategic Responses to Challenges of Globalization

It was established that in the Business Development department, the creation of a department that mainly focuses on the maintaining the bank's status as a good provider was necessary. Working for funding within the bank was another response initiated by the bank according to the respondents. The Operations department of the bank has also acquired a new system which can meet the needs of the customers. The bank has increased its interest rates on loans and reduced its interest rate on deposit. Moreover, the bank has also employed a number of qualified sales personnel to help in brand building and has also run a number of adverts in the media to create product awareness, pricing, the bank has continued to review the prices that they remain affordable to customers.

The bank has also done a lot of structural changes like bringing in a new managing director which means changing the way things are done. Trade among nations via the use of comparative advantage promotes growth, which is attributed to a strong correlation between the openness to trade flows and effect on economic as growth and economic performance.

In the Human Resource department, there had been strategic responses to some extent with efforts to adjust to the changes due to globalization, according to the interviewees. These include, performance appraisal strategies; frequent training at both branch level and HPO to keep staff updated with the changing environment. The credit section of the bank, diversification of loan products such as tea farmer's loan, stima loan, NBK study loan, sugarcane farmer's loans, school overdrafts, and salary advance has been the main response as well as the strategic alliances with other institutions. Lastly, in the ICT section, the bank set aside some funds for purchase of new and modern ICT facilities so as to enable its workers to be comfortable hence productive.

4.5 Measures to combat these challenges in the Various Departments

It was established from the study that holding seminars for employees was vital undertaking that helped in equipping human capital with requisite skills to spearhead the growth of business development department of the bank. Another measure for business development was soliciting for finances within the bank to fund expansion/growth proposals. There has been diversification in products by introduction of Al'Mumin accounts with no interest rates for Muslim customers.

In the ICT section the bank did hire top of the notch personnel who have experience and knowhow to commit the bank to the volatile global operating environment. It also acquired the latest technological gadgets that get updated frequently. The Finance department used bank fusion universal banking which is a wide range of banking and financial services offered by financial organism under a single roof through a variety of delivery channels. Furthermore, the department financed large fixed investments to construct/rent new branches. The new include Kitengela, Westlands, Ongata Rongai and Eastleigh. For Credit department, diversification of loan products such as tea farmers loan, stima loan, NBK study loan, sugarcane farmers loans, school overdrafts, salary advance was emphasized by respondents.

4.6 Discussion

It is clear from the data analyzed in the study that globalization has brought many challenges to the National Bank of Kenya. Globalization has come with new technologies that have made the management of the bank to establish new structures for them to run. To begin with, globalization came with a technology for mobile banking as well as the use of debit cards in order o increase the customer base of the bank. This new technologies enabled the bank to undertake different changes in its operational structure so that it could remain competitive. However, the technologies have come with new forms of fraud activities that are costly for the bank to handle and manage effectively. The fraudsters can constantly track the clients of the bank and end up robbing them their funds using different means including hacking into the system of the bank.

The bank has been able to reduce the costs incurred in managing human resources as the new technologies have enabled the bank reduce its human resources while maintaining effectiveness. Globalization has also had both negative and positive impact in the loans portfolio in terms of security and loan maturity and in the ICT section, the acquisition of the latest banking systems which are evolving almost every day has been a challenge.

The above mentioned have been positive effects of globalization to the National Bank of Kenya. However, globalization has been accompanied by other negative effects that have affected the bank. To begin with, globalization has been faced with inadequate personnel with the required expertise in the bank to implement and run the new systems. Competitiveness in the banking sector has increased with banks that do not have the technology being less competitive and pushed out of the market with time.

4.7 Strategic Responses to the challenges and benefits of Globalization to NBK

Despite the challenges, the bank has come up with measures to overcome the challenges. First, the bank has increased training and advanced learning of its staff so that they can handle the complex technology that comes with globalization. Learning is in form of seminars and workshops on new banking technologies. Since acquisition of new technologies is costly, the bank has opted to solicit funds from the government and other stakeholders in order to acquire the new technological products so that it increases productivity. For effective management of the new technologies, the bank established an ICT department, which has highly experienced personnel to handle all issues of the bank regarding the department. Acquisition of new technologies such as SIM-ple banking has enabled the bank to increase its customer base with the ability to expend to other parts of the country.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMANDATIONS

5.1 Introduction

This chapter contains a summary of the findings from the respondents, conclusions and recommendations given by the researcher.

5.2 Summary of Findings

The main objective of the study was to assess the strategic responses of National Bank of Kenya Ltd to the challenges of globalization. To begin with, from the study, it was determined that there was a current mission statement of the bank. As indicated, the mission of the bank has not been reviewed for the last 5 years. However, there have been several discussions especially during the annual general meetings to review the mission of the bank in line with changes in customers' needs due to globalization. Nevertheless, no tangible actions have been taken to implement these suggestions. In fact, there has been little or no effort at all to effect the suggestions that have been raised in regard to reviewing the mission statement of the bank. This notwithstanding the fact that all the departments of the bank including; Operations, Credit, Human Resource, Finance, ICT, and Business Development are affected by globalization and are in dire need of strategies to address these challenges.

In the business development the change that National Bank affected was geared towards the achievement of the bank's mission as this was determined from the study. In the operations department, the bank's change in structure for the last 5 years has been in line with the changing customer needs. For example, the banking hours have in some branches in the major cities been extended to 24 hours. The bank has also changed its managing director, which means a change in operations since a new person comes in with different ways of doing business. In the Human Resource department, change has been witnessed starting with performance appraisal; further training of the personnel; team building activities; and also the transfer activities where more transfers are now being affected. In the finance department, the recently persistent financial crisis has greatly affected the general financial of the bank. The profits have been either declining or growing with negligible margins.

In the Credit department, the bank is moving to automation and the process of loan advancement has changed from manual to the Nero System which is Bankfusion of universal banking. In the ICT department, the bank changed the ICT infrastructure to enhance the efficiency and effectiveness of its employee and this was facilitated by the technological evolution the country has been experiencing.

5.2.1 Impact of Globalization to Organization

On the impacts of globalization, the Business Development department has really tried to implement some technologies such as Internet banking and mobile banking using number *625# to enable clients to explain the advantages of technology within its border and around the world. In the Operations department, the bank has not been affected much by globalization but it has affected the competition and therefore need for coping and developing strategic ways of doing business like diversification in the Bank's products e.g Al'Mumin account for Muslims. Globalization has resulted in more risky ways of doing business like Internet banking and therefore more precaution needs to be taken. In the Credit department, the globalization has had both negative and positive impact in the loans portfolio.

In the Human Resource department, there have been instances where some employees move to other banks that have embraced globalization. Changes have been effected at the HR department through voucher for example, prepays system (for pay ships & leave application). In the finance department, there has been financing of large fixed investments (new branches) and new technology in order to put the bank in the same category with other prominent banks. In the ICT department, the impact of globalization has been great and positive since it has led to the installation of the modern gadgets employed in the banking ICT infrastructure.

The main forces that have driven global integration have been technological innovations, broader political changes and economic policies. In the case of technological innovations, chief among these driving forces of globalization include inventions that improve the speed of transportation and communications and lower their costs. Some of the examples included the development of the jet engine and its universal use in aviation for transporting people and goods and the adoption of containerization in international shipping. Massive investments in road infrastructure have allowed large shares of trade to be carried by freight trucks in Western Europe and North America. The other dramatic change is the revolution in information and communication technology. A key driver of globalization, for example, has been economic policy which resulted in deregulation and the reduction or elimination of restrictions on international trade and financial transactions.

Globalization has occasioned free movement of workers from one country to another partly to find better employment opportunities. Most economic migrations occur between developing countries. The flow of migrants to advanced economies is likely to provide a means through which global wages converge. There is also the potential of skills to be transferred back to the developing countries and for wages in those countries to rise. Therefore, companies have found themselves sourcing for human resource across national boundaries resulting in cultural diversity within which an organization that influences policies.

Information exchange has become an integral aspect of globalization. With the growing technology, sophisticated information equipment and software have expedited the process of globalization forcing organizations to adapt to the new business environment. Foreign Direct Investment for instance, has not only brought an expansion of physical capital stock, but also technical innovation.

It was determined from the research that in the Business Development department, creation of a department that mainly focuses on the maintaining the bank's status as a good provider of the banking facility, taking the chairman resources to seminar thus equipping them with knowledge necessary for coming up with the relevant software. The bank is also trying to generate more finances within itself is another strategic response by the NBK towards the globalization.

In the operation department the bank has acquired a new system which can meet the needs of the customers. The bank has increased its interest rates on loans and reduced its interest rate on deposit taking the bank has also partnered with other organizations to keep trend with innovation such as SIM-ple Banking. The bank has also employed a number of qualified sales personnel to help in brand building and has also run a number of adverts in the media to create product awareness, pricing, the bank has continued to review the prices that they remain affordable to customers.

The bank has also done a lot of structural changes like bringing in a new managing director which means change in way of doing things. In the human resources department, to some extent, efforts have been made to adjust to the changes due to globalization. The turnover has gone down but picked off one new strategies home been adopted and implemented. Performance appraisal strategies, frequent training at both branch level and head office to keep staff updated with the changing environment has been done. In the credit department, the diversification of loan products such as tea farmers' loan, stima loam, NBK study loan, sugarcane farmers' loans, school overdrafts, salary advance. The bank has set aside some funds for purchasing of new and modem ICT facilities so that workers at the ICT department may not complain about the outdated equipment. It can therefore be surmised that these strategic responses that combat globalization are customized by every department of the bank.

5.2.2 Challenges of Globalization

From the study, it was established that the personnel at the business development department had inadequate skills to successfully tackle challenges of globalization. Another challenge is in the installation of modern technologies as the bank has been unable to provide enough funding for the same.

Globalization has so far made many organizations close their doors. But it is fortunate that NBK has gone through the 2008/9 global financial meltdown and still can afford to make profits despite not attaining the target. The bank, through various innovative products like simple banking service has been able to acquire new customers and retain the old ones. The bank is currently setting up new branches so that service can be offered to the customers' closer home. In the credit department, for example, there are high chances of default if individuals come with ways of beating the system and thus advanced technology can be a challenge to users hence prolonging time spent to recover the loans. Globalization has had both negative and positive impact in the loans portfolio. This is in terms of security and loan maturity.

Researchers have over the years identified the numerous challenges that are associated with globalization. These challenges have unsavory impact on the operations of an organization if they are not dealt with using proper mechanisms. Globalization brings competition both from foreign firms as well as domestic firms that operate in a similar industry. The researcher observes that multinationals operating in other countries import new ways of doing businesses with the aid of the ever changing technology that alters how the business is done.

Innovative techniques that are properly articulated by an organization on its product/services create competitive leverage since they yield uniqueness in the product line that may have a wider appeal to clients. To cap it all, organizations that swiftly attune their operations according to the changes in their operating environments are likely to gain competitive advantage as per Michael Porter's generic competitive strategies.

5.2.3 Measures to combat these challenges in the various departments

In the ICT department, the bank has employed top of the notch personnel who have experience and know-how and who steer the bank in fluid techno-environment. They develop software and install so as to increase the efficiency and the effectiveness of the bank's ICT system. Acquisition of the latest technology equipment is another way the bank has adopted to combat the various challenges of globalization.

In the finance department, the use of bank fusion and universal banking which is a wide range of banking and financial services offered by financial organizations under a single roof through a variety of delivery channels. Moreover, financing large fixed investments (new branches) was another way which the bank uses to overcome the challenges brought about by the globalization. In the credit department, diversification of loan products such as tea farmers' loan, stima loan, NBK study loan, sugarcane farmers loans, school overdrafts, salary advance were the main ways used to combat globalization.

5.2.4 Effects of Globalization on the Bank's Expansion Strategies

It was established from the study that in the business development department, globalization should be seen as a medium through which banks and other institutions should embrace for growth and development rather than a system for drain and other negative aspects associated with it. Globalization and technology innovation has brought about additional transaction from personal banking to inter-connected banking system. Upon accepting the globalization and technology trends, NBK has redefined itself so as to give services to the more people. This has occasioned the expansion of branches and therefore increased the prospects of profitability.

5.2.5 Key Benefit of Bank fusion Universal Banking

The first benefit of the bank fusion is the improvement of operation in efficiency in the following areas: provision of a single integrated platform for all banking service; giving the bank a choice of components to deploy; automating manual activities; and reducing error rates. The second advantage is better revenue and cost management which is attained through flexible fee-charging structures; elimination of errors via automation; and the reduction of operating costs. The third benefit is the reduction of risks thus allowing for flexibility, central limits system, supporting multilevel authorization and comprehensive reports.

Another benefit of the universal banking is the improvement of customer service as it provides a total 360^0 view of customer; delivery of immediate feedback through process analytics and the reduction of time to market for new products. Fifth is that bank fusion is robust and secure as it provides a proven technology, a proven track record and the uni-layered security mode. Finally, in the ICT department, globalization has led to the modernization of the banks infrastructure and this has been that its customers are satisfied with the services offered.

5.3 Conclusions

Globalization has occasioned free movement of workers from one country to another partly to find better employment opportunities. Globalization has affected both National bank of Kenya both positively and negatively. To begin with, globalization has come with new technologies that are cost effective for the bank and have made the work of the bank easier such as SIM-ple banking and mobile technologies. The technologies have enabled the NBK to reduce its number of workers yet still remaining effective in its operations. The NBK has been able to expand and increase its branch network throughout the country due to friendly user technologies that has been effective to its customers.

However, globalization has affected negatively the bank especially in its initial phases where the bank had to incur increased expenses in purchasing technology as well as buying the necessary human expertise that operates the technology. In addition, the customers of the bank have had to do with increased fraud cases where fraudsters engage in criminal activities that make them lose their deposited funds. In order to reduce these negative effects, the bank has embarked on increasing its expertise in ICT through increased training and development through workshops and seminars. The bank also works closely with the police criminal investigation department and the Ombudsman to arrest the criminals.

It was determined that in the business development department, creation of a department that mainly focuses on the maintaining the bank's status as a good provider of the banking facility is very important. The Operation department the bank has also acquired a new system which can meet the needs of the customers. The bank has increased its interest rates on loans and reduced its interest rate on deposit taking the bank has also partnered with other organizations to keep trend with innovation for example, SIM-ple banking.

There has been a positive response from the ICT department as globalization led to the allocation of the modern gadgets employed in the banking ICT infrastructure. Sharing of resources during seminars for the various departments is a very good move. It equips the personnel with knowledge necessary for coming up with the relevant mechanisms to help combat any challenges associated with the globalization in their departments. Development globalization should be seen as a medium through the banks and other institutions should embrace for growth and development rather than a system for drain and other negative aspects associated with it.

5.4 Recommendations for Policy and Practice

From the study, the researcher has made some recommends. First, the Bank should embrace the various aspects of globalization in all its departments since they are mostly positive and beneficial to the company. Moreover, the bank should review its mission every year so as the refine all the area which it has not achieved as this would increase the customers' satisfaction through the increased efficiency and the effectiveness of its operations.

Thirdly, there should be provision of funds for the installation of the various ICT related equipment and this should be prioritized given that it can increase the security levels and the efficiency rates among its operations. Finally, employment of highly experienced personnel in all of the banks departments should also be a priority as this would put the bank a notch higher than its competitors.

5.5 Limitations of the Study

This study examined the effects of globalization on the national bank of Kenya only while the generalizations were made specifically to the bank. The researcher took more time than expected to conduct the study as he interviewed the tops management of the bank yet the costs incurred were high than expected. The sample included a small number of clients of the bank as much focus was on the management of the bank.

5.6 Suggestions for Further Study

This study has examined strategic responses by National Bank of Kenya Ltd to challenges of globalization. To this point, therefore, the same study should be carried out in other banks and financial institutions to find out if the same results would be obtained or replicated. The sample size used in this study was six interviewees and this study therefore would recommend increasing the sample size to more than six. Future studies should include more of the small scale clients of the bank with especially regarding the benefits and user interface of the new technologies adopted by the bank only.

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APPENDIX: Interview Guide

GENERAL MANAGER: BUSINESS DEVELOPMENT

1. How long have you served in banking industry?

2. Has the Bank's mission been reviewed for the last 5 years?

3. Has the structure of the Bank been changed for the last 5 years?

4. Do you think National Bank of Kenya experiences the impact of globalization?

5. How would you describe globalization in relation to the success of your department?

6. How has international business influenced the bank's strategic response to challenges of globalization?

7. What are the main challenges faced by Business Development department as a result of globalization?

8. What measures has your department put in place to combat these challenges?

9. How has globalization affected the Bank's expansion strategy?

10. How has globalization affected marketing of the Bank's products and services?

THANK YOU FOR YOUR CO-OPERATION

GENERAL MANAGER: OPERATIONS

1. How long have you served in banking industry?

2. Has the Bank's mission been reviewed for the last 5 years?

3. Has the structure of the Bank been changed for the last 5 years?

4. Do you think National Bank of Kenya experiences the impact of globalization?

5. How has globalization affected the day-to-day activities of the Bank?

6. What impact does globalization have on the Bank's sales volume?

7. What are the new strategies the department employs to deal with the challenges of globalization?

8. To what extent is competition an influence in the day-to-day operations of the bank given the challenges of globalization?

9. How has globalization affected the operation of the Bank's branch network?

11. How would you describe globalization in relation to the company's survival and growth?

THANK YOU FOR YOUR CO-OPERATION

EXECUTIVE DIRECTOR: HUMAN RESOURCES

1. How long have you served in banking industry?

2. Has the Bank's mission been reviewed for the last 5 years?

3. Has the structure of the Bank been changed for the last 5 years?

4. Do you think National Bank of Kenya experiences the impact of globalization?

5. What are the human resource management strategies adopted by the Bank in response to the challenges of globalization?

6. How has globalization affected the staff turnover in past five years?

7. Has globalization affected the Bank's compensation strategy?

8. How often does the department offer trainings to the Bank's staff?

9. Does the department employ performance contracting strategy for staff appraisal?

10. How has globalization affected the Bank's procurement practices and procedures?

THANK YOU FOR YOUR CO-OPERATION

GENERAL MANAGER: INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

1. How long have you served in banking industry?

2. Has the Bank's mission been reviewed for the last 5 years?

3. Has the structure of the Bank been changed for the last 5 years?

4. Do you think National Bank of Kenya experiences the impact of globalization?

5. What are the challenges that globalization has posed to the ICT department?

6. What strategic responses has the department formulated to counter the challenges?

7. What measures does the bank put in place to protect its data center in the wake of Data loss and global hacking?

8. Does the department have innovative ICT infrastructure or equipment that indicates its commitment towards adapting to the changing environment?

9. Does your department offer trainings to staff on new technological innovations with regard to ICT?

10. What are the technologies put in place to counter money laundering as a result of globalization?

THANK YOU FOR YOUR CO-OPERATION

EXECUTIVE DIRECTOR: FINANCE AND ADMINISTRATION

1. How long have you served in banking industry?

2. Has the Bank's mission been reviewed for the last 5 years?

3. Has the structure of the Bank been changed for the last 5 years?

4. Do you think National Bank of Kenya experiences the impact of globalization?

5. What are the challenges facing your department as a result of globalization?

6. What are the strategic responses your department puts in place to counter these challenges?

7. What are the financial implications for implementing the above strategies?

8. How has globalization affected the Bank's profitability?

THANK YOU FOR YOUR CO-OPERATION

GENERAL MANAGER: CREDIT/ADVANCES

1. How long have you served in banking industry?

2. Has the Bank's mission been reviewed for the last 5 years?

3. Has the structure of the Bank been changed for the last 5 years?

4. Do you think National Bank of Kenya experiences the impact of globalization?

5. How has globalization affected performance of loans portfolio of the Bank?

6. What strategic responses has your department put in place to combat the challenges of globalization?

7. What challenges does globalization pose to the process of loan recovery?

8. What are the technological advances the department has employed to facilitate the process of loans recovery?

9. How has advancement in technology facilitated the process of loan maturity and disbursement?

THANK YOU FOR YOUR CO-OPERATION

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DATE: 28/05/2012

TO WHOM IT MAY CONCERN

The bearer of this letter INGWE S. KENNEDY

Registration No. D61/63212/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her course assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

28 MAY 2012

FOR IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE