STRATEGIC RESPONSES TO A CHANGING COMPETITIVE ENVIRONMENT : THE CASE STUDY OF KENYA COMMERCIAL BANK

BY

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DECLARATION

This research project is my original work and has not been submitted for a degree course in this, or any other University.

Signed -- Date 05.11.2003

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This research project has been submitted for examination with my approval as a University Supervisor.

Signed -- Date 6/11/2003

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DEDICATION

To my dear friend, Jebet,

my family,

and to the Body of Believers

ACKNOWLEDGEMENTS

My heartfelt gratitude goes to all the people who, in their special ways, have made this study a success.

I would like to thank my supervisor, Prof. Aosa whose guidance and encouragement was indeed invaluable.

To the respondents who sacrificed the time for the interviews despite their busy schedules.

To my colleagues, classmates, and friends whose support was overwhelming.

To my family and the Believers who encouraged me and supported me in prayer.

To my dear friend Jebet - your support was priceless.

And to the LORD, without whom I would not have made it – your faithfulness is everlasting!

ABSTRACT

Over the last 10 years, there have been many changes in the Kenyan economy. These changes have had an impact on all industries within the country. The nature of competition within each industry, for instance, has changed such that organisations have had to find ways of coping with, or pre-empting, the competitive forces facing them. The banking industry has not been spared from the impact of these changes.

This research project was a case study on Kenya Commercial Bank (KCB). The two objectives of the study were to identify the challenges faced by KCB in the context of the changing competitive environment, and to document the relevant responses made by the bank.

In order to meet these objectives, the pertinent primary and secondary data was collected. Primary data was obtained from personal interviews with the respondents who were responsible for developing the strategic responses by KCB to its changing competitive situation. The same research interviewees have also been overseeing the implementation of these responses. Secondary data was collected from various sources. The data was then analysed qualitatively.

The study established that the changing competitive situation in the Kenyan banking industry has posed some challenges to KCB. These challenges arose from the changes in the business environment in terms of economic decline,

liberalisation, legislative changes, increasing level of education, and technological advancements. The management of these changes has been made more difficult by the presence of all five forces that influence the competitive situation in an industry. These forces are barriers to entry, rivalry within the industry, threat of substitutes, power of buyers, and power of suppliers (Porter, 1980).

KCB, according to the research findings, has addressed its changing competitive situation through restructuring, marketing, information technology, and culture change among other responses. These have made KCB more competitive but have not adequately enabled the bank to fully match its environment. However, most of the respondents believe that KCB has the necessary capability to effectively respond to its changing competitive environment.

This study was based on four major strategic response variables. A further study can, therefore, be carried out on the other responses that KCB has made to address its changing competitive situation. Alternatively, a cross-sectional survey covering the whole industry can be undertaken to determine the strategic responses by the banking industry. This would give an indication of the responses made by banks, in Kenya, to their changing competitive situation especially with the increasing growth, in the number and size, of the non-bank financial institutions. This, then, will allow for industry generalisations to be made.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Pearce and Robinson (1997) state that in order for organisations to achieve their goals and objectives, it is necessary for them to adjust to their environment. The dynamism of the environment implies that organisations have to constantly redesign their strategies in order to remain competitive. Failure to effectively adapt the organisation to its environment, according to Ansoff and McDonnell (1990), leads to a strategic problem. Such a problem will be evidenced by a mismatch between what the organisation offers and what the market demands.

Grundy (1995) states that responsiveness and flexibility are increasingly important factors that determine the success of an organisation. Hill and Jones (2001) add that the achievement of superior efficiency, quality, innovation and responsiveness enables an organisation to create superior value and attain a competitive advantage.

1.1.1 The Banking Industry in Kenya

As at the end of year 2001, the Kenyan banking industry was made up of 48 banks. However, only five banks account for about 60% of the total banking industry's assets and deposits. These major banks, listed in descending order, were Barclays Bank, Kenya Commercial Bank, Standard Chartered Bank, Citibank, and National Bank of Kenya. These large banks are commonly referred to as "The Big Five" within the banking industry. Any decision made by these large banks has a substantial impact on the total industry (Market Intelligence, 2002).

As banks continually rationalise their branches in order to reduce overhead costs, the number of Automatic Teller Machines (ATMs) in use have risen to about 200. The improved uptime of the ATMs has been realised due to the access of some of these banks to Very Small Aperture Terminals (VSATs) which have made them less dependent on the unreliable services of the main telecommunications service provider (Market Intelligence, 2002).

Aseto and Akello (1998) state that the Kenya government joined the globalisation race by introducing liberalisation and privatisation policies. Consequently, the banking industry, for instance, experienced the freedom from governmental controls on foreign exchange and interest rates. Basu and Rolfes (1995) state that partly as a result of such deregulation, the operating environment for banks has changed dramatically.

As stated by Senior (1997), the forces of change are frequently the result of some external forces such as increasing competition, new legislation or expectations of customers. The banking industry in Kenya has been undergoing a lot of changes. There have been legislative changes such as those governing interest rates as well as the amounts that are to be deposited at the Central Bank of Kenya as part of the Deposit Protection Fund. There have also been an increasing number of co-operative societies that collect members' contributions and extend loans to their members. Some of these co-operative societies have developed the front office banking facility and serve their clients just as any commercial bank does. Government of Kenya (2002), in addition, highlights the emergence and recognition of micro-finance institutions as alternative sources of funds for loans, hence as sources of increasing competition in the banking industry. These micro-finance institutions, some of which have been converted from being non-governmental organisations as in the case of K-Rep Bank, have been steadily increasing in numbers (Market Intelligence, 2002).

The above changes have contributed to the increasing competition in the banking industry, especially with regards to the number of financial products available in the market that is comprised of an increasingly more sophisticated clientele. Kenyan banks are, therefore, expected to develop strategic responses to address the changing competitive environment in which they operate.

1.1.2 Kenya Commercial Bank LTD

The history of Kenya Commercial Bank dates back to 1896 when its predecessor the National Bank of India opened a small branch in Mombasa. In 1958 Grindlays Bank of Britain merged with the National Bank of India to form the National and Grindlays Bank. In 1970, the Government of Kenya acquired 60% shareholding in National and Grindlays Bank and renamed it the Kenya Commercial Bank. In 1976, the Government acquired the remaining 40% of the shares of the then largest commercial bank in Kenya. The Government, however, has over the years reduced its shares in the Bank to the current 35% (KCB, 2002).

Kenya Commercial Bank LTD is part of the KCB Group. The subsidiary companies include Savings and Loan (K) LTD and Kenya Commercial Bank (Tanzania) LTD. The latter was incorporated in Dar-es-salaam, Tanzania to provide banking and financial services and to facilitate cross-border trade within the East African region, and currently has two branches.

Today, KCB is one of the leading institutions in Kenya's banking and financial sector with an asset base of over Kshs 74 Billion (US$ 1 Billion). It has the widest network of outlets in the country comprising 95 full-time branches 35 satellite branches, and 36 Automatic Teller Machines. KCB is the largest bank in Kenya in terms of total assets and deposits (Market Intelligence, 2002). According to Oloo (2002), KCB is the second largest bank in Kenya in terms of total income. However, KCB suffers from a heavy non-performing debt burden which has been the main reason for the bank's operating losses in the last two years.

As a major player in the banking industry, KCB is faced with the challenges that are common to the industry members as well as those that are unique to itself. It would be expected, therefore, that KCB has been responding to these environmental challenges.

1.2 STATEMENT OF THE PROBLEM

External changes in the Kenyan economy have contributed to the intense competition faced by firms in the country. Guaranteed business opportunities that were offered to organisations where the government had interests, fell away. With the onset of liberalisation, and the emergence of highly discerning customers, such businesses have to be competitively won.

KCB is one of the key players in Kenya's banking industry. The external changes have affected KCB. By virtue of its government ownership, for instance, KCB had in the past been assured of access to a substantial amount of cheap deposits for use in its lending portfolio. However, with the reduced government shareholding, such deposits are no longer guaranteed.

Since the environment in which banks are operating in Kenya has changed, it is expected that this must have created pressure to adapt their banking operations to the new conditions. KCB is, therefore, expected to have responded to these changes. As the second largest bank in Kenya, hence a major player in the banking industry, what strategic responses has KCB evolved to cope with this changing competitive environment?

1.3 OBJECTIVES OF THE STUDY

a) To identify the challenges faced by KCB in the context of the changing competitive environment.

b) To document the responses of KCB to its changing competitive environment.

1.4 IMPORTANCE OF THE STUDY

The benefits of this study will accrue to various groups.

a) Policy Makers at KCB

This study will provide pertinent information on the extent of the effectiveness of the strategic responses by KCB to competitive pressure, as well as the limitations of such responses. It will also provide some suggestions on how to enhance the bank's responsiveness to competition.

b) Management Consultants

This study will benefit management consultants who endeavour to provide assistance to commercial banks in Kenya in the formulation and implementation of competitive strategies.

c) Academic Researchers

This study is expected to generate interest among academicians that will lead to further research on the dynamic area of strategic response by banks to the intense competitive pressures in the financial industry. The study will also contribute to the existing body of knowledge on strategic response in the face of competitive challenges.

CHAPTER TWO: LITERATURE REVIEW

The concepts of strategy and strategic management are important for the success of organisations. These issues influence the responses made by such organisations in managing the environments in which they operate.

2.1 THE CONCEPT OF STRATEGY

Strategy can be defined as the establishment of the long-term goals and objectives of an organisation, including the taking of actions and allocation of resources for achieving these goals (Chandler, 1962). Due to the scarcity of resources, the strategy that is chosen should be one that optimises these resources in the pursuit of the organisational goals and objectives.

According to Andrews (1971, p16), "strategy is a pattern of objectives, purposes, or goals and the major policies and plans for achieving these goals stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be". Strategy, therefore, not only focuses on the goals and objectives of organisations and the means of achieving them, but also gives an indication of the nature of the company and its business, both in the present and in the long-run.

Quinn (1980) identifies strategy as a plan that puts together an organisation's major goals, policies and action sequences. A well-formulated strategy enables an organisation marshal and allocate its resources in a unique way on the basis of its relative internal competencies and limitations, expected changes in the environment, and contingent actions by competitors.

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

Johnson and Scholes (1997) note that strategy is the long-term direction and scope of an organisation that facilitates the achievement of an advantage, for the organisation, through the mode of arrangement of resources within a changing environment. This would enable the organisation to meet the needs of markets and to fulfil stakeholder expectations. Thus, strategy is viewed as the matching of the activities of an organisation to the environment in which it operates.

"Strategy can be seen either as the building of defences against competitive forces, or as the finding of positions in the industry where competitive forces are weakest" (Pearce and Robinson, 1997, p136). Grant (2000) adds that the ability to identify and occupy attractive segments of an industry is critical to the success of an organisation. Hill and Jones (2001) conclude that the strategies an organisation pursues have a major impact on its performance relative to its peers.

Strategy needs to be well defined since it would determine and communicate the direction in which the organisation will move, and the level of performance it will achieve. Therefore, a strategy requires careful development and should not just be a product of the intuition of an organisation's managers.

2.2 STRATEGIC MANAGEMENT

Ansoff and McDonnell (1990) define strategic management as a process through which a firm manages its relationship with the environment in which it operates. It consists of strategic planning, capability planning, and management of change. Strategic management, therefore, is a continuous activity that enables the organisation plan for the exploitation of opportunities using its internal strengths while minimising the impact of threats posed by the environment in the light of the organisation's weaknesses.

According to Hax and Majiluf (1996), strategic management is a way of conducting a firm. It has the ultimate objective of the development of corporate values, managerial capabilities, responsibilities, and administrative systems that link strategic and operational decision-making, at all levels of the organisation. Thus, strategic management focuses the decisions of the entire organisation in one direction.

Cole (1997) states that strategic management is a process, directed by top management, but engaged in throughout the organisation, including the involvement of those concerned with satisfying customers' legitimate needs. It ensures the attainment of those fundamental aims/goals through the adoption of adequate decision-making mechanisms, and the provision of adequate resources for the planned direction for the organisation over a given period.

Pearce and Robinson (1997) define strategic management as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. It involves planning, directing, and controlling the strategic decisions and actions of the business. Hunger and Wheelen (1999) view strategic management as a set of managerial decisions and actions that determine the long-run performance of an organisation. It emphasises the monitoring and evaluation of opportunities and threats in the light of the strengths and weaknesses of the organisation.

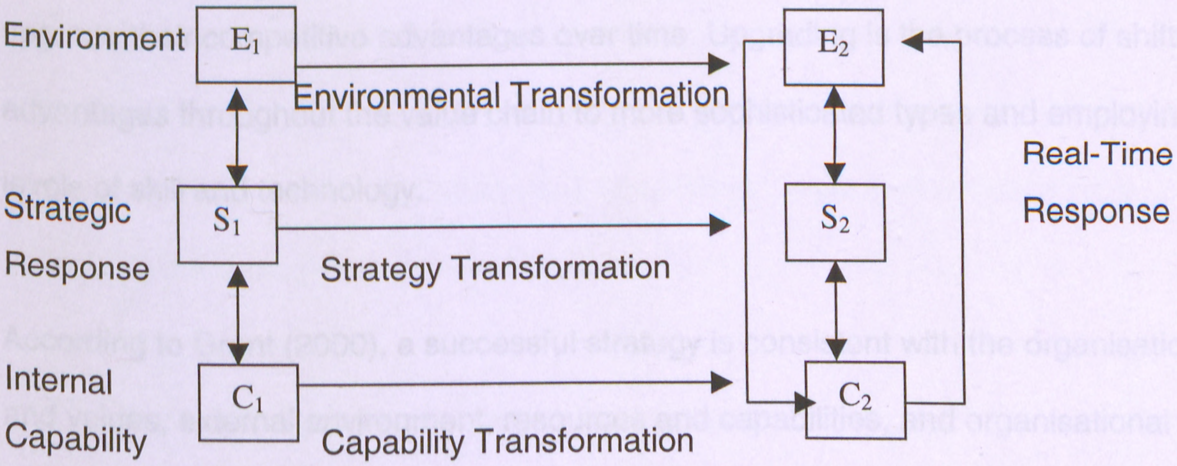
Strategic management has also been defined as "the art and science of formulating, implementing and evaluating cross-functional decisions that enable an organisation to achieve its objectives" (David, 2001, p5). It implies focusing on integrating management, marketing, finance/accounting, production/operations, research and development, and computer information systems to achieve organisational success.

These definitions, though offered by different authors over a period of time, all emphasise the fact that strategic management is dynamic and is concerned with providing, and continuously adjusting the means by which organisations can effectively cope with environmental change. Therefore, strategic management is not only a continuous process, but is also dynamic.

2.3 ENVIRONMENT, STRATEGY AND ORGANISATIONAL CAPABILITY

Ansoff and McDonnell (1990) state that changes in the organisation's behaviours are necessary if success in the transformation of the future environment is to be assured. They noted that such changes, which touch on the organisation's strategy and capability, would need to be systematically identified through the strategic diagnosis approach. This approach is derived from the strategic success hypothesis which states that a firm's performance potential is optimum when the aggressiveness of the firm's strategic behaviour matches the turbulence of its environment; the responsiveness of the firm's capability matches the aggressiveness of its strategy; and the components of the firm's capability are supportive of one another. When any one of these three aspects are lacking, then the firm's performance potential will be less than optimum. The real-time response is the specific action that is chosen and implemented in order to realign the organisation's strategic aggressiveness to the environmental turbulence.

Managing the Firm's Adaptation to the Environment



Key:

E_1	Current Environment	E_2	Future Environment
S_1	Current Strategy	S_2	Future Strategy
C_1	Current Internal Capability	C_2	Future Internal Capability

(Source: Ansoff and McDonnell, 1990, pp40)

The above diagram clearly indicates the environmental dependence of an organisation. When there is an environmental shift from E_1 to E_2, then the organisation's strategy has to be changed from S_1 to S_2 in order to adapt to the changed environmental conditions. However, this is only possible when the organisation's capability is changed from C_1 to C_2. Therefore, an organisation has to monitor its environment continuously so that it can identify any shifts that require it to adjust its strategies in response to such changes. This requires that the firm's capabilities be constantly updated to ensure that they support the chosen strategy.

As the organisation's environment changes, it is necessary that the firm continuously adapts its activities and internal configurations to reflect the new external situation. Failure to do this, endangers the future success of the organisation (Aosa, 1998).

Porter (1991) explains the concept of dynamic strategic fit. He states that firms create and sustain competitive advantage because of the capacity to continuously improve, innovate, and upgrade their competitive advantages over time. Upgrading is the process of shifting advantages throughout the value chain to more sophisticated types and employing higher levels of skill and technology.

According to Grant (2000), a successful strategy is consistent with the organisation's goals and values, external environment, resources and capabilities, and organisational systems. This indicates the fact that the organisation depends on the environment for its survival and the responses to the environmental situation will determine its performance. Thus, when there are changes in the environment, the organisation's capabilities and strategy would have to be changed in order to ensure a continued 'strategic fit'.

2.4 STATEGIC RESPONSES

Thompson (1997) defines strategic adaptations as changes that take place over time to the strategies and objectives of an organisation. Such change can be gradual or evolutionary, or more dramatic, even revolutionary. Ansoff and McDonnell (1990) note that strategic responses involve changes to the organisation's strategic behaviour. Such responses may take many forms depending on the organisation's capability and the environment in which it operates.

Well-developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. These strategic responses include restructuring, marketing, information technology, and culture change.

2.4.1 Restructuring

Wilson and Rosenfeld (1990) define organisation structure as the established pattern of relationships between component parts of an organisation outlining communication, control and authority patterns. Thus, structure distinguishes the parts of the organisation and delineates the relationship between them.

With regards to the number of levels in the structure of the organisation, often referred to as the scalar chain, Drucker (1989) suggests that these should be as few as possible. Too many levels bring difficulties in the understanding of objectives and communicating both up and down the hierarchy.

One of the major activities of restructuring is business process reengineering. Hammer (1996, p191) notes that "companies can dramatically improve their efficiency and quality by focusing on customers and the processes that create value for them. Processes have come to be more important than their products and are in fact defining the marketplaces in which the companies compete". Outsourcing, for instance, would enable an organisation to concentrate on its core businesses, while benefiting from the cost efficiencies of those companies that specialise on the outsourced activity. Firms can design their strategies based on their processes, for instance, through intensification where processes are mapped and improved to enhance customer service, or through extension where strong processes enable entry to new markets.

According to Quinn (1992), enterprises generally obtain strategic advantage by focusing on the smallest activity or cost units that can be efficiently replicated. Cost-cutting efforts will lead to dramatically lower overhead costs and part of these savings can then passed to the customer in terms of lower prices.

Reichheld (1996) suggests that by searching for the root causes of customer departures, companies with the desire and capacity to learn can identify business practices that need fixing and, sometimes, can win the customer back and re-establish the relationship firmly. Thompson (1997) states that radical business process reengineering implies that a firm completely rethinks how certain tasks are carried out and searches for new ways through which performance can be improved. It leads to breaking down functional and individual job boundaries as the processes do not have to coincide with the existing departmental structures. Grundy (1995), however, cautions that speeding activities up without detriment to quality, and without increasing costs, demands more effective learning and feedback in the management process. Accelerating processes, with continual and open learning, avoids costly errors.

Senior (1997) notes that there are various catalysts for organisational changes such as restructuring. These triggers may include the purchase of a new IT equipment or system, business process reengineering through process intensification/extension, the redesign of a group of jobs, staff right-sizing and subsequent staff cutbacks, as well as staff redundancies.

2.4.2 Marketing

Kotler and Armstrong (1999) define marketing as a social and managerial process. It is the process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others. Basically, it is all about satisfying customer needs and wants.

Kotler (2000) observes that marketing helps to define the business mission, as well as analysing the environmental, competitive, and business situations. It, therefore, plays a major role in the organisation's strategic planning process. The strategic marketing responses are based on the marketing mix elements of product, price, distribution, and promotion.

According to Thompson and Strickland (1993), environmental scanning enables managers to identify potential developments that could have an important impact on industry conditions leading to the emergence of opportunities and threats. This will help the managers to develop appropriate strategies given the industry's competitive situation.

A number of strategic marketing variables may be manipulated in response to a changing competitive situation. These include adjusting of target markets, diversification, developing new products, distribution changes, and making price cuts (Business Trend Review, 1992). Other marketing variables that comprise the firm's response to a changing competitive situation include the advertising and establishment of relationship marketing.

2.4.3 Information Technology (IT)

According to Porter (1985), technological change, especially IT, is amongst the most important forces that can alter the rules of competition. This is because most activities of an organisation generate and utilise information. Porter and Millar (1985) contend that IT can also create new businesses from within a company's existing activities. McFarlan et al (1983) contribute that IT offers a scope for product differentiation that enables the company to effectively service the needs of its market niche.

Luftman (1996) adds that the way a firm views its businesses, customers and competition is critical to successfully aligning its business and IT strategy. IT is used to automate processes and to augment the skills of the organisation's staff.

Rayport and Sviokla (1995) state that competition is defined along two dimensions: the physical world of resources and a virtual world of information. Information supports and enhances every activity in the organisation, and it can itself be a source of added value and, hence, competitive advantage, provided organisations are able to draw that value.

Gilbert (1995) notes that strategically successful organisations obtain market feedback continuously and rapidly, and adapt to the feedback ahead of their rivals. They exploit the potential of strategic as well as competitive and operating information systems. Some of the information technology variables that can influence a firm's response to competition include the usage of real-time systems, extent of interconnectivity of distribution channels, as well as the efficiency of the telecommunication systems.

2.4.4 Culture Change

Brown (1998, p9) defines organisation culture as "the pattern of beliefs, values, and learned ways of coping with experience that have developed during the course of an organisation's history and which tend to be manifested in its material arrangements and in the behaviours of its members". Thus, an appropriate and cohesive culture can be a source of competitive advantage. This is because it promotes consistency, co-ordination and control, and reduces uncertainty while enhancing motivation and organisational effectiveness, all of which facilitate the chances of being successful in the marketplace. Therefore, corporate cultural identity, for the marketer, is a strategic tool that is used to manipulate consumer perceptions of an organisation and its products/services.

According to Thompson (1997), the potential for changing the culture of an organisation is affected by the strength and history of the existing culture, how well the culture is understood, the personality and beliefs of the strategic leader, and the extent of the strategic need. The culture of the organisation would need to be changed when it does not fit well with the requirements of the environment or the organisation's resources, the company is not performing well and needs major strategic changes, or the company is growing rapidly in a changing environment and needs to adapt.

Kotter (1996) notes that truly adaptive firms with adaptive cultures are awesome competitive machines. They produce superb products and services faster and better, even when they have fewer resources or less market share. Hamel and Prahalad (1989) add that companies that have arisen to global leadership began with strategic intents that were disproportional to their resources and capabilities. Sadler (1988) concludes that successful organisations must be able, not only to deliver a high level of customer-service, but also manage cultural change.

Culture change and corporate learning are interdependent. The rate of organisational learning is dependent on culture, while the rate and content of organisational learning fundamentally influence the firm's culture. Thus, culture change is a process of relearning. Other indicators of cultural shifts include changes in architectural design and branding of corporate buildings, the change in organisational logo, nature of internal communication as well as staff dress codes.

Strategic responses to a changing competitive environment, therefore, entail substantial changes to an organisation's long-term behaviour. These adaptations may be gradual or revolutionary depending on the nature and circumstances facing the organisation.

2.5 LOCAL STUDIES ON STRATEGIC RESPONSES

There has been interest among researchers on the subject of responses by organisations to relevant environmental changes. A number of academicians have carried out such studies.

Bett (1995) found that, as a result of the on-going economic reforms in Kenya, firms in the dairy industry have made substantial adjustments to their strategies. The variables targeted for adaptation included branding, pricing, and value propositions. Kombo (1997) noted that the firms in the motor vehicle industry, in the light of the changing competitive situation were constantly adapting their strategies to fit with the environmental shifts. The strategic responses were mainly based on new technologies, product differentiation, and the marketing mix elements.

Njau (2000) established that East African Breweries Limited undertook substantial adjustments in various strategic response variables in order to fight off competition. The adaptations included the manipulation of the marketing mix elements, cost efficiency control measures and the setting up of foreign market distribution centres.

Kandie (2001) undertook a study on the strategic responses to competition by Telkom Kenya that was previously a monopoly in the telecommunications industry. The researcher found out that the organisation has made some strategic adaptations in its products, markets, technology as well as making strategic alliances in response to the drastic competitive changes in the country's telecommunications industry.

The contributors to the Business Trend Review (1992) note that the recession has made competition in the Kenyan market place stiffer. As a result companies have had to respond to the increased competition by taking various actions including layoffs, cutting costs, adjusting target markets, diversification, developing new products, and making price cuts.

CHAPTER THREE: RESEARCH METHODOLOGY

Since the aims of the research were to identify the challenges that face KCB and to document the relevant strategic responses made, a case study approach was chosen. The pertinent primary and secondary data were then collected to meet the objectives of the study.

3.1 RESEARCH DESIGN

This was a case study on KCB aimed at identifying environmental changes and documenting the strategic responses to the changing environmental condition. A case study involves a careful and complete observation of a social unit–a person, institution, family, cultural group, or an entire community–and emphasises depth rather than the breadth of a study (Kothari, 1990).

This research design was chosen rather than, for instance, the cross-sectional survey, because the objectives of the study required an in-depth understanding of the challenges facing KCB, and the specific strategic responses it has made in the context of its changing competitive environment. The researcher personally interviewed the respondents using the pre-prepared questionnaire as a guide.

However, the case study method of research is both time-consuming and expensive to administer. In addition, since the results of a case study are drawn from a single unit that entails some unique features, generalisations cannot be made based on the findings.

The study was carried out in Nairobi where the headquarters of KCB is located and the target respondents are based. The people interviewed were ten in number – three executive directors and seven senior managers. The respondents comprised those who have been involved in the formulation of the strategic response variables that were being studied – restructuring, marketing, information technology, and culture change – and are charged with the responsibility of overseeing the implementation of these responses.

3.2 DATA COLLECTION

3.2.1 Secondary Data

Secondary data was collected from the existing records of KCB such as those relating to promotional efforts, restructuring programs, and community efforts. These were drawn from internal circulars and the KCB*cascade* which is a staff newsletter. In addition, trade journals such as The Kenyan Banker and The Investors' Handbook on Nairobi Stock Exchange yielded some information that was relevant to the study.

3.2.2 Primary Data

The researcher collected the primary data by individually interviewing the ten respondents. The interview process was guided by the pre-prepared questionnaires to facilitate the in-depth coverage of the strategic responses by KCB to its changing competitive situation.

In addition, the researcher organised an informal meeting with some of the departmental heads who provided relevant information that confirmed that the rest of the management at KCB shared the views of both the executive directors and the senior managers.

The researcher had designed the questionnaire on the basis of the objectives of the research and the study's literature review. The questionnaire was divided into four sections. Section A sought data on the respondent's position in the organisation and length of service in the given area. Section B sought information on the respondents' assessment of the challenges facing KCB. Section C addressed aspects relating to strategic response to competitive challenges, while Section D elicited information on the respondents' views on whether KCB had achieved a strategic fit.

3.3 DATA ANALYSIS

Once the responses were received, the questionnaires were edited for completeness and consistency before processing. Thereafter, the data was coded to facilitate categorisation.

The data collected on the strategic responses was analysed qualitatively on the basis of the strategic variables highlighted. Content analysis was used in analysing the in-depth qualitative data that had been collected. This type of analysis has been used in similar studies in the past including Bett (1995), Kombo (1997), Njau (2000), and Kandie (2001).

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

The collected data has been analysed and interpreted in line with the aims of the study, namely, the challenges facing KCB and the relevant strategic responses made.

4.1 THE RESPONDENTS' PROFILES

The respondents in this case study are part of the top management of KCB and have been involved in the formulation of the strategic responses that were being studied – restructuring, marketing, information technology, and culture change – and are charged with the responsibility of overseeing the implementation of these responses. Majority of the respondents have held senior management positions at KCB for over five years. The rest were new entrants both from within and outside the banking industry. Thus, their contributions to the strategic responses of KCB to the changing competitive situation facing the bank are drawn from a broad reservoir of experience and knowledge.

4.2 CHALLENGES FACING KCB

4.2.1 Changes in the Business Environment

There have been a number of changes in the business environment in Kenya, within the last 10 years, that have resulted in a changing competitive situation, and have posed various challenges to KCB.

The respondents identified five major macro-environmental changes that have occurred in the business environment in Kenya, which have made an impact on KCB. These are economic decline, liberalisation, legislative changes, increasing level of education, and technological advancements.

The economic recession has resulted in fewer business opportunities for KCB's clients. Consequently, the level of deposits has gone down while the ability of the bank's customers to borrow and service their loans has declined. The latter has been one of the reasons for the high level of non-performing loans at KCB. This has resulted in a worsening level of profitability, with KCB declaring a substantial loss of Kshs 1.2Billion for the half-year ending 30th June 2002. In addition, the respondents stated that the economic decline in the country contributed to the closure of some of the KCB branches.

Liberalisation of the Kenyan economy has led to an increase in the number of financial institutions. Furthermore, the privatisation policies adopted by the government have resulted in the loss of previously guaranteed businesses that were being offered to organisations such as KCB where the government had large shareholdings. Such businesses now have to be won.

Legislative changes have led to a reduction of interest margins at KCB especially with the emergence of the Central Bank Amendment Act (2000) that sets limits on interest rates. In addition, some smaller commercial banks have merged and have become a major threat to the Big-Five banks, which include KCB. Such mergers were occasioned by the increase in the minimum capital requirement for commercial banks of Kshs 500 Million (The Kenyan Banker, 2000). Furthermore, the conversion of non-banking financial institutions into commercial banks, as well as the increasing number of micro-finance institutions and cooperative societies, has intensified the competition facing commercial banks. Consequently, there has been a reduction in the income generated by KCB, both from interest and commission charges.

The increasing level of education and awareness among Kenyans has led to the emergence of a more informed/demanding clientele. KCB has had to undertake market segmentation and the development of a variety of products to satisfy the constantly changing needs of the bank's target markets. Hogendoom (2000) advised Kenyan banks, such as KCB, to be more innovative so as to be able to profitably interface the products on offer with the appropriate delivery channels for their chosen market segments.

Technological advancements have resulted in the concepts of one-branch banks, home banking as well as internet banking. KCB, therefore, is in the process of phasing out its legacy IT systems and replacing these with open systems that will provide more convenient banking services based on the highlighted concepts.

Currently, KCB offers home banking, referred to as BankDirect, to most of its corporate customers but this facility enables only a limited range of services. The ongoing installation of Automatic Teller Machines in various delivery points, including supermarkets, has been driven by customers' need for convenience banking, 24 hours a day. However, these technological innovations are not only expensive to adopt, but also involve a high rate of obsolescence. In addition, they rely on telecommunication efficiency, which is yet to be realised in Kenya.

4.2.2 Competitive Situation in the Banking Industry in Kenya

Five forces influence the competitive situation in any industry. These are barriers to entry, rivalry in the industry, threat of substitutes, power of buyers, and power of suppliers (Porter, 1980). All these forces are at play in the banking industry in Kenya. The respondents' assessment of the intensity of these forces is presented in the table below.

Table 1: Intensity of Competitive Forces in the Banking Industry

	Very Low				Very High
Barriers to Entry	1	1	2	2	4
Rivalry in Industry		1	1	5	3
Threat of Substitutes			4		6
Power of Buyers		1	5	3	1
Power of Suppliers	1	2	5	1	1

Source: The 10 Research Respondents

On the basis of the responses summarised in the Table 1 above, it is clear that the barriers to entry into the banking industry, such as the minimum capital requirement of Kshs 500 million for commercial banks, are quite high. The respondents added that this was one of the reasons for the increase in the number of non-bank financial institutions such as micro-finance companies and cooperative societies, which offer products that are good substitutes to those offered by banks. Rivalry amongst the banks is considered high. However, the power of the suppliers (banks) and the power of the buyers (bank customers) were considered by the respondents as being generally equal, hence, no one group can dictate the terms of service.

4.3 STRATEGIC RESPONSES

KCB has been responding to the environmental changes that have influenced its competitive situation. Some of the strategic responses include restructuring, more focused marketing, information technology adaptations, and culture change.

4.3.1 Restructuring

Over the last 5 years, KCB has been undertaking corporate restructuring, with the process being accelerated during the last 2 years. Both internal and external expertise has been utilised in this process. The restructuring has mainly been in the form of:

- Separation of banking services into retail, business, and corporate to effectively meet the needs of the respective market segments;
- Changes in senior management, with specialist executive directors being appointed to head the three market segments;
- Redesign of jobs and relevant performance measures;
- Process mapping and subsequent reduction of service procedures;
- Voluntary Early Retirement (VER) schemes;
- Shorter reporting lines;
- Reduction of the number of branches through closure as well as mergers;
- Integration of the subsidiary business of Kenya Commercial Finance Company (KCFC) into the mainstream bank;
- Disposal of non-core assets and businesses;
- Outsourcing of non-core services such as the printing of stationery and mail distribution across the bank.

According to the respondents, these forms of restructuring were chosen because they were considered appropriate for the attainment of a number of the objectives of KCB. The decline in the financial performance of the bank has intensified the need for better income-generation and the reduction of costs. In addition, the bank's goal of becoming more customer-focused necessitated the provision of faster and better services while maintaining a workforce that is not only efficient but is also lean.

These changes were directly implemented except for the VER schemes, redesign of jobs, and process mapping. These were, and continue to be, implemented on a phased approach.

However, the restructuring process has been a source of challenges for KCB. The research respondents stated that any deviation from the past usually creates discomfort in the affected parties, hence, causes challenges to the organisation.

There has been resistance to the process, both from within and outside the bank. The internal resistance mainly arose from some of the staff who suffered from a sense of inadequacy to handle the newly assigned tasks as some jobs fell away mainly due to the voluntary early retirement schemes. Some of the respondents felt that the cases of staff involvement in frauds were a manifestation of such internal resistance to the restructuring process. External resistance arose from some customers who were used to dealing with "the branch manager" in a secluded office as opposed to the current specialist staff based in the banking halls. In addition, the strained relationship between the top executives and some of the major shareholders has been a source of external resistance especially in the disposal of the non-core assets.

The restructuring process has been costly to implement, considering the poor financial performance and the sheer size of KCB. The administration of the VER schemes, for instance, has been one of the major sources of financial strain for the bank. However, some of the short-term gains have been realised in the form of minimised job insecurity since the schemes have been applied on voluntary basis.

The benefits of restructuring are long-term in nature, yet the stakeholders would like to realise rewards from the exercise within the shorter term. This has created some disillusionment with the viability of the whole process. However, communication of the expected benefits, has helped to cultivate some positive attitude from such stakeholders.

Resistance to restructuring has been managed through continuous provision of information relating to the reasons for, and the bank-wide progress of, the exercise. In addition, the employees were given an opportunity to freely air their ideas to the top management. The respondents also noted that the disciplinary action against those openly resistant to the restructuring through gross misconduct, served to minimise such resistance.

Generally, the research respondents felt that the objectives of the restructuring process have been met but only to a small extent. Some of the people interviewed felt that the exercise is in limbo. However, majority of the respondents considered the restructuring exercise to be progressing as per plans.

4.3.2 Marketing

There have been strategic changes in marketing at KCB within the last 5 years.

Market segments have been redefined and the marketing function being re-organised into retail and corporate divisions. The former targets the mass-market that comprises individuals as well as small- and medium-sized businesses. The corporate division serves the specialised needs of large business organisations, with respective corporate relationship managers being assigned to handle all their banking requirements at KCB.

In a bid to ensure the provision of products and services that meet the changing needs of its customers, the bank emphasizes the continuous development of new products. The appointment of two product development managers indicates the value to which KCB attaches to product innovations.

Partnerships with the media – television and radio – have been established to facilitate the advertising of the bank's products and services. Such partnerships have enabled the bank not only to cut its advertising costs but have also facilitated better allocation of airtime for a more effective advertising reach.

These changes were initiated because they were seen as crucial to the achievement of the marketing objectives. The main reason for these changes has been to make KCB more customer-focused and, hence, more competitive in the respective target markets. Other objectives include increasing bank revenue through higher sales as a result of greater awareness of the bank's products as well as from well-targeted product sales in each market segment.

The media partnerships were immediately adopted once all the relevant decisions had been made and the contractual relationships determined. However, due to the broad nature of the other marketing changes, the phased implementation was chosen

The respondents noted that while making these marketing changes KCB encountered a number of challenges. There was some resistance by a section of the staff who still believed that a bank does not need to market its products. In their assessment, investing in marketing changes amounted to a waste of resources since customers would always go to their bank of choice irrespective of any "marketing gimmicks". As a result of such attitudes, some of the staff have paid little attention to their newly assigned marketing responsibilities.

Effective advertising is realised mainly through increased frequency of the repetition of the message. This, however, is expensive especially for KCB, which has been experiencing a poor financial performance in the recent past.

The constantly changing customer needs require that constant product innovations have to be made and offered ahead of the competition if KCB is to maintain or enhance its competitive edge. In order to achieve this, the bank has to expend a substantial portion of its scarce resources in continuous product development.

Resistance to the marketing initiatives has been minimised through continuous provision of information relating to the benefits of such changes while highlighting the repercussions of failing to adopt the specified measures. In addition, the respondents noted that employees were given an opportunity to contribute their ideas for more efficient marketing initiatives.

This created an element of employee ownership of the changes, hence reduced resistance.

As a result of these challenges, the research respondents felt that the objectives of the marketing responses have been met only to a small extent. When compared with respective marketing responses by the bank's major competitors, namely Barclays Bank and Standard Chartered Bank, KCB's responses have not been satisfactory. This was mainly attributed to variances in the resource base and marketing experience, in addition to the long-term nature of the payoffs from such strategic responses.

4.3.3 Information Technology

In the last 5 years, KCB has been making changes in its information technology (IT) systems in response to its changing competitive situation. The respondents noted that the major change in IT at KCB is the phasing out of the legacy systems that are mainframe based and replacing these with open standard systems. These would facilitate better interconnectivity of the bank's branch network as well as with ~~the~~ its clients.

Other IT responses to KCB's changing competitive situation include short -term upgrades of the systems to take advantage of technological innovations, provision of home banking, referred to as BankDirect, to most of the bank's corporate customers, centralisation of the bank's clearing system, both inter-branch and inter-bank.

In addition, there is increased installation of Automatic Teller Machines (ATM) in various delivery points, including supermarkets, linkage with international payment systems such as the Society for Worldwide Inter-bank Financial Transfers (SWIFT), and the provision of intranet to enhance efficiency of communication within the bank.

The above changes, according to the respondents, were aimed at achieving three main objectives. One of these was the need to improve customer service through a more convenient and faster access to bank services through, for instance, the provision of BankDirect to the corporate clients and the 24-hour access to ATM services by the retail customers. Another objective was to enhance record keeping and ease of data retrieval within the bank. The enhancement of internal communication, for faster decision-making, was the main reason for the installation of the intra-net access.

The above responses were, and continue to be, implemented on a phased approach. The respondents also noted that only the centralisation of the bank's clearing system and the linkage with the SWIFT system had been completed.

While making these changes, KCB has faced some constraints. According to the respondents, IT changes involve substantial costs in terms of software, hardware, and qualified personnel. The poor financial performance of KCB has limited the extent of investment in IT adaptations that would have enabled the bank to enhance its competitive position.

Technological innovations rely on telecommunication efficiency. However, the existing communication infrastructure in Kenya is poor and, thus, it hampers the full realisation of the benefits of technological improvements.

The respondents added that the field of information technology is highly dynamic. As a result, what may be seen as a satisfactory IT adaptation today will soon be considered obsolete even before the full benefits have been realised.

Some of the bank's IT systems were pre-packaged. As a result, the respondents noted that there was heavy reliance by KCB on vendor support that was not always readily available.

In a bid to overcome the above challenges, KCB has, according to the respondents, been reviewing its contractual relationships with the IT vendors. This has enabled the bank to have some of the terms of service to be adjusted, temporarily, to cater for the its currently poor financial status.

In addition, KCB has invested in the training of its IT staff and in the acquisition of expertise from outside the bank. This has been done to ease the heavy reliance on vendor support.

The respondents also identified that, in order to enhance the speed and reliability of telecommunication, KCB has been exploring the use of satellite communication. However, this has not yet been achieved but a lot of progress has been made towards its attainment.

Despite these challenges, the respondents considered the IT adaptations to have achieved their objectives to a large extent. However, half of the respondents considered the bank's IT responses as lagging behind those of its major competitors who form part of the Big-Five banks in Kenya, while the remaining half were of the opinion that these adaptations adequately meet the needs of both the bank and its customers.

4.3.4 Culture Change

Changes have been made to establish a culture shift at KCB. The research respondents noted that various efforts have been made to facilitate the realisation of a culture that is compatible with the changing competitive situation facing KCB.

There has been a redefinition of the bank's vision. Previously, KCB had a vision of "Taking banking closer to the people". This has now been changed to "KCB will be the best Bank in Kenya and in the Region in the eyes of the customers, shareholders, the KCB team and other stakeholders" (KCB*cascade*). This vision is meant to focus, in one direction, all the turnaround efforts that are being undertaken which include the culture change programme.

Staff attitude surveys, undertaken by an independent research organisation, have been introduced. These were aimed at monitoring and collating the views of the KCB staff on issues that are critical to the performance of the bank, especially those that touch on staff morale. The first survey was carried out in 2001 while the second is currently being done. This exercise is expected to continue being undertaken periodically.

A more customer-focused service approach has been encouraged. This has been through the use of the concepts of "Customer First" and the "Quality Experience" that are becoming more widely shared across the bank. The former concept aims at encouraging the bank's employees to prioritise service to the customer over other internal activities.

The latter concept exhorts the staff to excel in their service to the bank's clients. In addition, it embodies the bank's promise to deliver real value for the customer's money.

Better communication across the bank has been enhanced, with upward communication being encouraged. The staff, for instance, are now able to directly communicate with, and get response from any one member of the top management. The establishment of the bank's intra-net has enhanced this. The annual Consultative Forum has been introduced which enables representatives from all cadres in the bank meet and openly discuss issues that affect all the various categories of staff and management.

Emphasis continues to be made on the need for team building, rather than concentrating only on individual performance. This has been encouraged through Team Briefings and the KCB Communications Video sessions. Here, the top management openly disseminate information that touch on issues that are of interest to the entire organisation, including those raised in the Consultative Forum where all cadres of employees are represented.

Currently, plans are underway to launch the new KCB logo. In addition, the redesign and re-branding of the banking halls and the ATM cubicles is being undertaken across the bank's branches and other service delivery points. The open-plan office designs, for instance, have been implemented at the head office units and in most of the bank's branches. All these are expected to capture and reflect the new outlook of the bank.

Following the restructuring of the bank, a Strategy and Change Management division was created. A specialist executive director was hired to head this new division.

Emphasis is being made on the need for office holders to adopt leadership styles that are not only customer-focused but also team-based. Each of the management staff were taken through a two-day seminar on leadership skills during the second quarter of the year 2002.

There have been changes on the dress code at KCB. Female members of staff have now been allowed to wear unbroken trouser suits to enhance their professional image.

Both internal and external forces have influenced the necessity for a culture shift at KCB. There has been the need to respond to a growing dissatisfaction, by most of the staff and management about the bank's culture. The bank's CEO articulated this: "…more of the KCB team are rightly questioning our traditional culture, recognising the need for a change in attitudes, in our leadership style…"(George, 2000a).

The bank identified the need for a culture shift in order to portray the new KCB values: "Putting the CUSTOMER FIRST; working together as a TEAM; being PROFESSIONAL in everything we do; a willingness to CHANGE; caring for the COMMUNITY" (KCB*cascade*, 2000). To enhance understanding and commitment across the bank, both the staff and the management have been issued with a laminated card that contains both the KCB vision and KCB values.

An additional objective of the culture change was to facilitate the shedding-off of the quasi-parastatal tag and assuming a culture that portrays the fact that KCB is a commercial business that is customer-focused. Thus, one of the reasons for the culture shift was to "transform the bank into a business which customers, shareholders and (staff) will be proud to be associated with" (George, 2000b).

The culture change was also aimed at addressing some of the attitudes that are considered to have contributed to the bank's poor financial performance: "...lapse in the attitude of the workforce (which has) contributed to massive losses in terms of bad debts" (The Investor's Handbook On Nairobi Stock Exchange, 2000).

The respondents stated that the redefined bank's vision, the creation of a Strategy and Change Management division, and the new dress code were directly implemented. The rest of the culture change efforts continue to be adopted in a phased approach.

In implementing the culture change, the respondents stated that there were some challenges that were encountered. Culture shift is not only difficult to implement but it also takes time for the results to be achieved. The top management at KCB have not only been walking-the-talk, but have also been encouraging the staff a the culture change progresses, with the CEO championing the process: "It will not be easy and it will not happen overnight but I am confident that we will make it happen, and the impact on the Bank, on our customers and on ourselves, will be immense" (George, 2000a).

Resistance was encountered from a few of the staff who did not see the need to change the way they have been doing things over the years. This prompted the identification of change champions who, through continuous and interactive communication with the staff, have minimised the extent of such resistance.

Financial constraint has been experienced in implementing these changes due to the poor performance of the bank in the recent past. Some of the cultural change programmes involve substantial capital outlay as in the case of the redesign and re-branding of the bank's service outlets.

Generally, the objectives of the culture change have been achieved to a large extent as attested to by a majority of the respondents. However, the people interviewed were of the opinion that the current culture still requires some improvement so as to enable the bank to compete effectively.

4.4 STRATEGIC 'FIT'

According to the majority of the respondents, the strategic responses made by KCB to adapt to its changing competitive situation are inadequate. They attributed this inadequacy to the bank's currently poor financial performance in a dynamic competitive environment. The respondents also stated that KCB should undertake more proactive initiatives and less reactive responses to facilitate the management of its environment.

Most of the respondents, however, were confident that KCB does possess the necessary capability to adopt strategies that can enable it to effectively match the changes in the environment in which it operates. It was also established from the study that KCB could enhance its capability by getting a strategic partner that offers complementary services and also has large capital reserves to boost the bank's financial resource base.

CHAPTER FIVE: SUMMARY, RECOMMENDATIONS, LIMITATIONS, AND SUGGESTIONS FOR FURTHER RESEARCH

5.1 SUMMARY OF FINDINGS

5.1.1 Challenges Posed to KCB by the Changing Competitive Environment

There have been many changes in the Kenyan economy over the last 10 years. The major environmental factors that have impacted on the banking industry, and KCB in particular, are economic decline, liberalisation, legislative changes, increasing level of education, and technological advancements.

The above changes have contributed to the intense competition in the banking industry especially through the wide availability of substitute products as well as the increase in rivalry within the industry. As a result, KCB haS had to take measures to counter the impact of such competitive forces.

5.1.2 Responses of KCB to its Changing Competitive Environment

KCB has addressed its changing competitive situation by formulating and implementing strategic responses that include restructuring, marketing, information technology and culture change. These responses have, generally, improved the bank's competitiveness.

However, the study indicated that there is still the need for more strategic actions that need to be undertaken by KCB in order to enable the bank to fully match the environment in which it operates. Furthermore, the study also established that KCB possesses the necessary capability to adopt the strategies that would facilitate effective response by the bank to its changing competitive environment.

5.2 RECOMMENDATIONS

The environment in which organisations operate is dynamic. This implies that strategic responses, which are well developed and appropriately adopted, are powerful tools for acquiring and sustaining a competitive advantage. Such weapons have to be constantly adapted, or even transformed to achieve the desired advantage.

In view of the above, I suggest that KCB should become more proactive rather than reactive in managing its changing competitive situation. This can be achieved by formulating and implementing strategic initiatives that would pre-empt any anticipated adverse changes in its dynamic environment.

In addition, I would recommend that the bank should form a strategic alliance with an organisation that has strong capabilities in debt collection and credit assessment. This would assist KCB to enhance its financial performance through more efficient debt collection. Furthermore, such an alliance would facilitate better credit analysis so as to minimise the likelihood of bad debts arising from future advances.

KCB has a wide network of outlets. I would, therefore, suggest that the bank should maximise on its competitive strength by developing competitive strategies on the basis of this already existing advantage.

5.3 LIMITATIONS OF THE STUDY

The study focused on four main strategic responses. However, there were other strategic responses, including business process re-engineering, that were undertaken by KCB in addressing its changing competitive situation.

This was a case study. As a result, the research findings cannot be used to make generalisations on the industry.

In addition, the time available for the study was short. This constrained the scope as well as the depth of the research.

5.4 SUGGESTIONS FOR FURTHER RESEARCH

This study was based on four major strategic response variables. Therefore, a further study can be carried out on the other responses that KCB has made to address its changing competitive situation.

A study can also be carried out on the strategic responses by the other players in the industry. This would give an indication of the responses made by banks in Kenya to their changing competitive situation, especially with the increasing growth, in the number and size, of the non-bank financial institutions.

Alternatively, a cross-sectional survey covering the whole industry can be undertaken. This will allow for industry generalisations to be made.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

Please answer the following questions. Where applicable, please mark the relevant box with a tick (✓)

SECTION A: RESPONDENT'S PROFILE

1. Position Held--
2. Number of Years of Service at KCB ---

SECTION B: CHALLENGES FACING KENYA COMMERCIAL BANK (KCB)

1. Please describe the changes that have taken place, within the last 10 years, in the business environment which have affected KCB --
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   ----
2. What challenges have these changes posed to KCB?---

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3. Please indicate the severity of the following competitive forces in the banking industry

	Very Low 1	2	3	4	Very Intense 5
Barriers to Entry	( )	( )	( )	( )	( )
Rivalry in Industry	( )	( )	( )	( )	( )
Threat of Substitutes	( )	( )	( )	( )	( )
Power of Buyers	( )	( )	( )	( )	( )
Power of Suppliers	( )	( )	( )	( )	( )

SECTION C: STRATEGIC RESPONSES

1. Has KCB responded to the above environmental changes?

   Yes ( )   No ( )

2. If Yes, please describe the responses made --

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a) Restructuring

i) Has there been corporate restructuring at KCB in the last 5 years?

Yes ( )   No ( )

If yes, please describe the nature of such restructuring------------------------------
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ii) What were the objectives of the restructuring process?-------------------------------
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iii) How was the process of restructuring undertaken?----------------------------------
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iv) Please indicate the challenges that were faced by KCB during restructuring----
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v) To what extent have the objectives for restructuring at KCB been met?

Very Small Extent				Very Large Extent
1	2	3	4	5
( )	( )	( )	( )	( )

vi) What is the current status of the restructuring exercise?-----------------------------

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b) Marketing

i) Have there been changes in marketing at KCB in the last 5 years?

Yes ( ) No ( )

If Yes, please describe the nature of such changes-------------------------------------

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ii) What were the objectives of the marketing changes?----------------------------------

----

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iii) How were these changes effected?---

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iv) Please indicate the challenges faced by KCB while making these changes------

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v) To what extent have the objectives of these marketing changes been met?

Very Small Extent				Very Large Extent
1	2	3	4	5
( )	( )	( )	( )	( )

vi) What is the current status of the marketing responses by KCB to its changing competitive situation? ---

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c) Information Technology (IT)

i) Have there been changes in IT at KCB in the last 5 years?

Yes ( ) No ( )

If Yes, please describe the nature of such changes------------------------------------

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ii) What were the objectives of the IT changes?--

----

iii) How were these changes effected?---

----

iv) Please indicate the challenges faced by KCB while making these changes------

----

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v) To what extent have the objectives of these IT changes been met?

Very Small Extent				Very Large Extent
1	2	3	4	5
( )	( )	( )	( )	( )

vi) What is the current status of the IT responses by KCB to its changing competitive situation?--

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d) **Culture Change**

i) Have there been changes in the culture of KCB?

Yes ( ) No ( )

If Yes, please describe the nature of such changes-----------------------------------

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ii) What were the objectives of these cultural changes?----------------------------------

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iii) How were these changes effected?---

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iv) Please indicate the challenges faced by KCB while making these changes------

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v) To what extent have the objectives of the culture change been met?

Very Small Extent				Very Large Extent
1	2	3	4	5
( )	( )	( )	( )	( )

vi) What is the current status of the process of the culture change at KCB?---------

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e) **Other Responses**

i) Please state any other responses that KCB has made as a result of the changing competitive situation facing the bank-------------------------------------

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ii) How have these responses been effected?--

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iii) Please indicate the challenges faced by KCB while developing and/or implementing such responses---

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iv) To what extent have the objectives of these responses been met?

Very Small Extent				Very Large Extent
1	2	3	4	5
( )	( )	( )	( )	( )

v) What is the current status of these responses by KCB to its changing competitive situation?--

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SECTION D: STRATEGIC FIT

1. Do you consider the bank's strategic responses to competition adequate?

   Yes ( ) No ( )

   If not, what else do you feel KCB should do to stay competitive?---------------------------

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2. In your assessment, does KCB currently possess the necessary capability to adopt aggressive strategies to match the external environmental changes?

   Yes ( ) No ( )

   If not, please indicate the possible means by which the bank acquire these capabilities ---