STRATEGIC RESPONSES BY THE BARCLAYS BANK OF KENYA LIMITED TO CHANGES IN THE ENVIRONMENT

By

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DECLARATION

This management research project is my original work and has not been submitted for a degree at any other University.

Signed................................. Date.....12-11-2008'.....

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This management Research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

To my parents Mr. and Mrs. Moira Chepkok for their unquantified love and their undiminishing support and understanding which saw me through to the end.

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I would like to thank the Almighty God for giving me sufficient Grace, Mercy and Blessings which has seen me through this program.

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ABSTRACT

This study sought to determine the strategic responses that Barclays Bank has adapted to the changes in the environment and to identify factors that influence strategic responses in addressing the changes.

In order to meet these objectives, the pertinent primary data and secondary data was collected. Primary data was obtained from personal interviews with the respondents who were responsible for developing the strategic response by BBK to the changing competitive situation. Secondary data was collected from various sources. The data was then analyzed qualitatively.

According to the research findings, BBK has addressed its changing competitive situation through restructuring, marketing, information technology culture change, Recapitalization and service delivery systems and product development.

The researcher suggests a wide study covering the whole industry can be undertaken to determine strategic responses in the banking industry. This would give an indication of the response 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 would allow for industry generalizations to be made.

TABLE OF CONTENTS

PAGE

ABBREVIATIONS

K.B.A- Kenya Bankers Association.

N.S.E- Nairobi Stock Exchange.

C.B.K-Central Bank of Kenya.

B.B.K-Barclays Bank of Kenya.

M.B.A- Masters in Business Administration.

G.D.P- Gross Domestic Product

A.T.M – Automated teller machines

CHAPTER ONE:

INTRODUCTION

1.1 Background

1.1.1 Organizations and environment

Strategic management is an important interface between an organization and operating environment. Environment consists of variables that form the context within which the firm exists. Organization exists in the context of a complex commercial, economic, political, technological, infrastructural, cultural and social environment. Strategic management is a systematic approach to a major increasingly important responsibility of general management to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises. (Aosa, 1998).

Pearce and Robinson, (1999) define strategic response as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a firms objectives. Organizations are environment dependant. All business firms exist in an open system that is affected by external conditions that are largely beyond their control. Therefore to successfully position a firm in a competitive situation, its strategic managers should look beyond their operations they must consider the relevant others.

Strategic management centers on the belief that a firm's mission can be achieved through a systematic and comprehensive assessment of both internal capabilities and its external environment. Environment presents firms with opportunity, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence. A host of external factors influence a firm's choice of direction and action and ultimately its organization structure and internal processes. Managing the external environment is a fundamental component of the strategic management process. (Pearce and Robinson, 2000).

These factors which constitute the external environment can be divided into three interrelated subcategories. The first is the remote environment factors originating beyond and usually irrespective of any single firm operating situation: economic, social, political, technological and ecological factors. The second is factors that more directly influence firm's prospects originate in the environment of its industry. Finally the operating environment comprises factors that influence a firm's immediate competitive situation.

Environmental assessment is more complicated for multinational corporations than for domestic firms because multinational must evaluate several environments simultaneously. Companies are struggling in environments that are characterized by intense global competition, economic difficulties, labor unrest, uncertainties about government policies and other factors that threaten their survival.

Many of these factors are uncontrollable. Today companies large and small are being victimized by buffeted about the recession, government interference, competitor's action and so forth. But being uncontrollable does not mean that managers can ignore them they must stay abreast of and deal constantly with external developments. Thus, the design of business strategies is based in the conviction that a firm able to anticipate future business conditions will improve its performance and profitability despite the uncertainty and dynamic nature of the business environment an assessment process that narrows even if it does not precisely define future expectations is of substantial value to strategic manager.

Pearce and Robinson,(1999) state that strategic response is set of decisions and actions that result in the formulation and implementation of plans designed to achieve firm's objectives. The organizations external environment consists of all the conditions and forces that affect its strategic options and defines its competitive situation. Aosa,(1998) argues that strategy is creating a fit between the external characteristics and internal conditions of an organization to solve a strategic problem which is a mismatch between the internal characterizes of an organization need to not only to notice changes in the external environment but also need to formulate strategies that match these changes.

Business environment in Kenya is drastically changing; hence organizations should learn, adapt and reorient themselves to the changing environment. To survive in a dynamic environment their strategies need to focus on their customers and deal with environment challenges. Firms are environment dependent whereby they rely on the environment to get their inputs and further rely on the environment to consume their outputs.

From the above discussion one can deduce that external conditions have drastically changed in Kenya, hence continuously exerting new challenges to the organization. This in turn creates pressure for organization to respond to the new environmental reality. According to Ansoff and McDonnell, (1990) it is through strategic management analysis a firm will be able to relate itself to the environment to ensure its success and also secure itself from surprises brought about by changing environment.

For organizations to remain truly competitive over time as the environment changes, Ross et al, (1996) argue that they have to learn, adapt and reorient them to the changing environment. This process has to be deliberate and coordinated leading to gradual or radical systematic realignments between environment and a firm's strategic orientation.

A mismatch between the environment and the organization brought about by failure to respond to changes in the environment creates strategic problem (Aosa, 1992). A strategic problem requires strategic response (Ansoff and McDonnel, 1990): Pearce and Robinson, (1999) define strategic response as the set of decisions and actions that result into formulation and implementation of plans designed to achieve a firm's objective. (Porter,1980) noted that organization needs to know the underlying sources of competitive pressure to develop an actionable strategic agenda.

The complexity and sophistication of business decision making requires strategic management. (Pearce and Robinson,2000) argue that to deal effectively with all that affects the ability of the company to grow profitability, executives design strategic management processes they feel will facilitate the optimal position of the firm in its competitive environment. ,

Organizations need to develop strategies that are best suited to their strengths and weaknesses in relation to the environment in which they operate. The organization may be seeking to add value by operating effectively but the ever changing environment offers little or no possibility for the management to plan in advance.

The strategic response that a firm takes is important because it deals with the major fundamental issues that affect the future of the organization. Rapidly changing external business contexts are increasingly the need for disciplined and at the same time more adaptive context specific strategic management. The ultimate objective of strategic change is to create an organization context that can on a continuing basis translate into actions which result is improved operations and profitably when operating over a period of time in a rapidly changing external industry and competitive market.

1.1.2 Kenya's Banking Industry

The banking system in Kenya is regulated by the Central Bank of Kenya (CBK) Act (Cap 491) and the Banking Act (Cap 488). These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy (Ngesa, 1989). Currently we have 46 banks and non bank financial institutions,15 micro finance and 48 foreign exchange bureaus. In Kenya banking, (CBK, 2007).The Banking Act was enacted in 1989 and it replaced the Banking Act in 1969.Prior to this banking in Kenya was regulated under banking ordinance. This was a colonial piece of legislation, which was inherited by the government at independence.

The banks have come together under the KBA, which serves as a lobby for the banks interests and also addresses issues affecting the members. The industry is dominated by a few banks which are foreign owned and some are locally owned. Six of the major banks are listed at the NSE. The CBK falls under the docked of the Minister of Finance, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the banking industry.

Generally the Kenya Banking industry is more stable than it has ever been with 17 percent core capital/deposit; with improved solvency of 8 percent as required by CBK and liquidity margin far beyond 20 percent which is the total requires reserve with most banks having 40 percent or more in the reserves. The future of the industry looks promising with financial and legal restructuring (www.centralbank.go.ke).The financial sector plays an important role in the Kenya Economy. According to Economic Survey (2006) the sector contributed 10% of Gross Domestic Product (GDP) in 2006.

Key issues affecting the banking industry in Kenya are:

- Changes in the regulatory framework, where liberazation exists.
- Declining interest margins due to customer's pressure leading to mergers and reorganization.
- Increased demand for non-traditional services and move towards emphasis on the customer rather than the product and
- Introduction of non traditional players who offer financial services products.

The banking sector is poised for significant expansion, product and market development that should result in further consolidation of the banking sector. Most of these transformations have been necessitated by the changes in the environment. The world in general is undergoing many changes and as a result banks have been forced to respond to such changes so as to remain in business.

1.1.3 Barclays Bank Business Structure

Barclays Bank PLC is one of the world's largest global financial service provider (present in over 60 countries) primarily offering banking, investment banking and investment management services. With over 300 years of history and expertise in banking, Barclays Bank PLC has six major divisions: UK banking, Barclaycard, Barclays Capital, Barclays Global Investors, Barclays Wealth Management, International Retail and Commercial Banking. Barclays Africa is the leading bank in Africa with business in eleven countries in Africa namely Botswana, Egypt, Ghana, Mauritius, Seychelles, South Africa, Tanzania, Uganda,

Zambia, Zimbabwe, The Indian ocean and Kenya. (http//www. Investorrelations. Barclays.co.uk).
Barclays bank is one of the leading banks in Kenya having opened its doors in 1916. Barclays bank of Kenya is currently the largest business unit in Barclays Africa family in terms of contribution to profit and size of operations. In Kenya it boasts of a balance sheet worth USD I billion. Barclays bank of Kenya has been listed in the Nairobi stock exchange since 1986 and has 34000 shareholders currently (hppt://www.barclays.com).

Barclays Bank of Kenya distribution channels expanded from 62 branches and 98 ATMS in 2006 to 115 and 189 in 2007 respectively. In 2007 Barclays Bank of Kenya made capital expenditure amounting to 1.1 Billion and associated operating cost of 2.5 billion. Staff increased from 2197 in 2006 to 6900 by end of 2007. Barclays has continued to maintain its market leadership position in a sector that has become increasingly competitive over the years. Barclays was the first bank to bring Islamic Banking to Kenya and first to introduce Corporate Bond by any Commercial Bank. Barclays Bank of Kenya has earned various recognition e.g., East Africa most respected Company (Financial Institution), Bank of the Year award from The Banker, Best Bank in Kenya by Think Business, The Publishers of Banking Survey. (Barclays, Globe Magazine).

1.2 Statement of the Problem

In the recent years there have been a lot of changes in the Kenyan economy. Most of these changes have mainly had to do with liberalization, globalization, technological advancement and more enlightened customers. These changes pose serious strategic threat to existing firms. More so the harsh economic conditions in Kenya have seriously affected the profitability and market share of companies.

Several studies have been done in the area of business environment changes. For instance Njau,(2000) studied Strategic Responses by firms facing changed competitive conditions at the East Africa Breweries Limited (E.A.B.L) and concluded that the strategic responses used by E.A.B.L include manipulation of the marketing mix elements, cost controls and setting up of the foreign channels. Similarly Kiptugen,(2003) did a study on Kenya Commercial Bank (K.C.B) and concluded that K.C.B has addressed the changing competitive situation through restructuring, marketing, technology and culture change. Kiptugen noted that commercial Banks in Kenya have experienced environmental changes, which include economic decline, legislative changes, increased level of education and technological advancements.

Adoyo, (2005) did a study on Post Bank focusing on the changes in the external environment, and concluded that changes that have affected Post Bank include governance and regulation, culture, organizational structure, service delivery systems, investment, technology development product diversification and strategic management. Musa, (2004) did a study on National Bank and found out that the challenges arose from the business environment in terms of economic decline,liberazation,legislative changes, increased level of education and technological advancements. and Kathuku (2005) did a study on Co-operative Bank, both of which are local banks.Both Musa (2004) and Kathuku(2005) found out that culture and capitalization were the major challenges facing the local banks which may not necessarily apply to an international bank like Barclays. While Njau, (2000), focused his study in goods manufacturing industry this study will focus on a service industry.

Due to the contextual, sectoral and managerial differences among these organizations, strategic issues gained from these studies may not be assumed to explain strategic response in Barclays bank. Local studies have been done in the banking industry in Kenya but there is no specific study done on the responses of Barclays Bank of Kenya to changes in the environment. This study therefore focuses on strategic responses applied by Barclays bank of Kenya in dealing with changes in the environment. Such responses may take many forms depending on the organizations capability and the environment in which it operated, all the other studies did not look at the strategic responses and the results of strategic activity which are new products, new services, new processes, new markets, abandoned markets, new competitive strategies for attacking markets and new responses to social and political challenges which this study is going to look into in depth.

Barclays Bank of Kenya has undergone various changes in the recent past. Massive network expansion has been experienced in the last one year, new products and services have been introduced and the market focus of the bank has greatly changed. In changing environments Barclays Bank like any other firm should be able to cope with the change by adopting various strategies such as focus, differentiation, change on services and products they offer, strategic alliances and segmentation. Barclays Bank unlike any other bank in Kenya is the biggest bank, major player in the industry, the bank with the highest number employees, first bank to issue bond through the Nairobi Stock exchange, an international bank who's head quarters is in the United Kingdom (U.K).Its not clear whether Barclays is responding to the changes in the environment and how its responding. This sought to find out how Barclays bank of Kenya was responding to the ever changing environment in which it operates.
The following questions guided the study:

- How has Barclays Bank of Kenya responded to the changes in the environment?
- What factors have influenced the banks responses to the changes in the environment?

1.3 Research objectives

The study was guided by the following objectives

i. To determine the strategic responses that Barclays Bank of Kenya Limited has adapted to changes in the environment.
ii. To determine the factors that influences the strategic responses.

1.4 Importance of the study

The findings of the study are expected to be of particular importance to the Management of Barclays Bank of Kenya Limited to assist them in understanding the changes in the business environment, and factors influencing the changes.

Government of Kenya may use the study in formulating policies in the banking industry and to the scholars by providing food for thought and a challenge to conduct further research in the subject of environmental changes and challenges in various organizations.

CHAPTER TWO:
LITERATURE REVIEW

2.1 INTRODUCTION

This chapter presents the literature review on strategic responses and changes in the environment. The facets of this chapter include the external environment and the organization, concept of strategy, strategic management, relationship between the environment strategy and internal capability and strategic responses.

2.2 The external environment and the organization

Pearce and Robinson (1991) describes external environment as all conditions that affect strategic option but which are beyond the firms control. Forces at work in the external environment are dynamic and include economic, political, technological and social factors (Kotler and Armstrong, 1990).The external factors influence an organizations choice of direction and action and constitutes the external environment can be categorized are remote, industrial and operating environment. Porter, (1991) argues that the environment shape how activities are configured uniquely and what commitments can be made successfully.

All organizations regardless of the nature of their business are always in constant interaction with the environment. The organizations depend on the environment for their continued survival. This means that an organization operates in an open system. At the very basic level of this interaction is that the organization derives their inputs from the environment and give their output to the environment. The inputs are usually in the form of raw materials, labour, skills and capital. The banks then engage internal processes to convert their inputs to outputs which are fed back to the environment.

2.2.1 Remote Environment

Pearce and Robinson, (1999) state that the remote environment comprises factors that originate beyond and usually irrespective of any single firms operating situation e.g. economic, social, political, technological and ecological factors. Economical factors are concerned with the nature and direction in which a firm operates. Because consumption patterns are affected by the relative influence of various market segments, each firm must consider economic trends in the segment that affects its industry on both the national and international level, managers must consider the general availability of credit, level of disposable income and the propensity to spend.

Social factors that affect the firms include beliefs, values, attitudes, opinion and lifestyles of persons in the firm's external environment as developed from cultural, ecological, demographic, religious, educational and ethnic conditioning. The direction and stability of political factors are a major consideration for managers on formulating company strategy. Political factors define the legal and regulatory parameters which the firm must operate.

To avoid obsolesce and promote innovation a firm must be aware of technological changes that might influence its industry. A technological breakthrough can have a sudden and dramatic influence in any firm. The most prominent factors in the remote environment are often the reciprocal relationships between business and ecology. The term ecology refers to the relations among human beings and other living things.

2.2.2 Industry Environment

Michael Porter, (1980) propelled the concept of industry environment into the foreground of strategic thought and business planning. Porter explains how the five forces shape competition in the industry. The nature and degree of competition in the industry hinge on five forces: the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute product and services.

In the fight for market share competition is not manifested only in other players rather competition in an industry is rooted in the underlying economics and competitive forces exist that go beyond the established combatants in a particular industry. (Pearce and Robinson, 1999). Customers, suppliers, potential entrants, and substitute products are also competitors that may be more or less prominent or active depending on the industry. The strongest competitive forces or forces determine the profitability of an industry and so are of greatest importance in strategy formulation. The management of changes in the environment has been made more difficult by the presence of all five forces that influence the competitive situation in any industry.

2.2.3 Operating Environment

Operating Environment is also called the competitive or task environment, comprises factors in the competitive situation that affects a firms success in acquiring needed resources or in profitably marketing its goods and services. Among the most important of these factors are the firm's competitive position, the composition of its customers, its reputation among suppliers and creditors and its ability to attract capable employees. The operating environment is typically much more subjective to the firms influence or control than the remote environment. Thus, firms can be much more proactive in dealing with the environment than dealing with the remote environment.

The environment encapsulates many different influences-the difficulty is making sense of this diversity. The second difficulty is that of the speed of change (Johnson and Scholes, 2001).Managers typically feel that the pace of technological change and speed of global communications mean more and faster change now than ever before. Third is the problem of complexity. Many industries and sectors are now characterized by rapid pace of change to the extent that competitive advantage on one particular basis will not last for any significant period of time (Barney, 1991).

Sauvé,(2002) notes that environment is critical factor for any organization survival and success. It should be seen as a biosphere in which individual organizations use over along term. It is a resource to be managed and to be shared hence the need to effectively manage the value chain system and establish collaboration partnerships and get involved in social responsibility to enrich resource and enhance corporate image of the organization.Changing environment brings about unpredictability. Ansoff and Mc Donnell (1990) called this unpredictability external turbulence.

Porter,(1991) argued organizations are environment dependant and changes in the external environment shape the opportunities and challenges facing the organization. While supporting this, Pearce and Robinson,(1991) argue that the external environment changes do impact on the operational dynamics of the organizations internal environment and creates a mismatch in the already existing strategies that link the two environments.

2.3 The Concept of Strategy

Johnson and Scholes, (2001) define strategy as 'the direction and scope of an organization over a long term which achieves advantages for the organization through the configuration of the resources within a changing environment to meet the needs of the market and fulfill stakeholder expectations". Strategy according to Chandler,(1962) is the establishment of long term goals and objectives of an organization, including the taking of actions and allocation of resources for achieving these goals.

According to Johnson and Scholes, (2001) there are 3 levels of strategy: corporate level strategy is concerned with the future direction of the company, business level strategies are concerned with sustainability of different portfolios, while operational level strategies are concerned with shop floor delivery system and procedure. From the forgoing it is clear that the environment is ever changing and tends to be turbulent and discontinues. Firms are therefore called upon to strategically look at the long term. Hence strategy needs to be well defined since it would determine and communicate the direction in which the organization will move and the level of performance it will achieve.

Strategy can be seen either as the building of defenses against competitive forces or as the finding of positions in the industry where competitive forces are weakest (Pearce and Robinson, 1997).Grants (2000) adds that the ability to identify and occupy attractive segments of an industry is critical to the success of an organization. Quinn (1950) identifies strategy as a plan that puts together an organization major goals policies sand action sequences. A well formulated strategy enables all organization marshal and allocate its resources in a unique way on the basis of its relative internal competencies a 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 organization fights to gain a competitive advantage. According to Oumae (1983) the only purpose of strategic planning is to empower an organization to efficiency 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 o that of its competitors.

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

2.4 Strategic Management

Ansoff and McDonnel (1990) define strategic management as a process through which a firm manages its relationships with the environment in which it operates. It consists of strategic planning, capability planning and management of change. According to (Hax and Majihaf, 1996) strategic management is away of conducting a firm. It has the ultimate objective of the development of corporate values, managerial capabilities. Thus strategic management focuses the decisions of the entire organization in one direction.

Importance of strategic management is well documented; it provides central purpose and direction, enables management to adapt to changing environment, credits competitive advantage and allows allocations of resources to key success factors (Porter 1980).Strategic managements is also about producing strategic results such as new markets, new product and new technology. It broadens the faces to include psychological, Sociological and political variables (Ansoff, 1990).These definition though offered by different author over a period of time, all emphasize the fact that strategic management is dynamic and is concerned with providing and continuously adjusting the means by which organizations can effectively cope with the environment change.

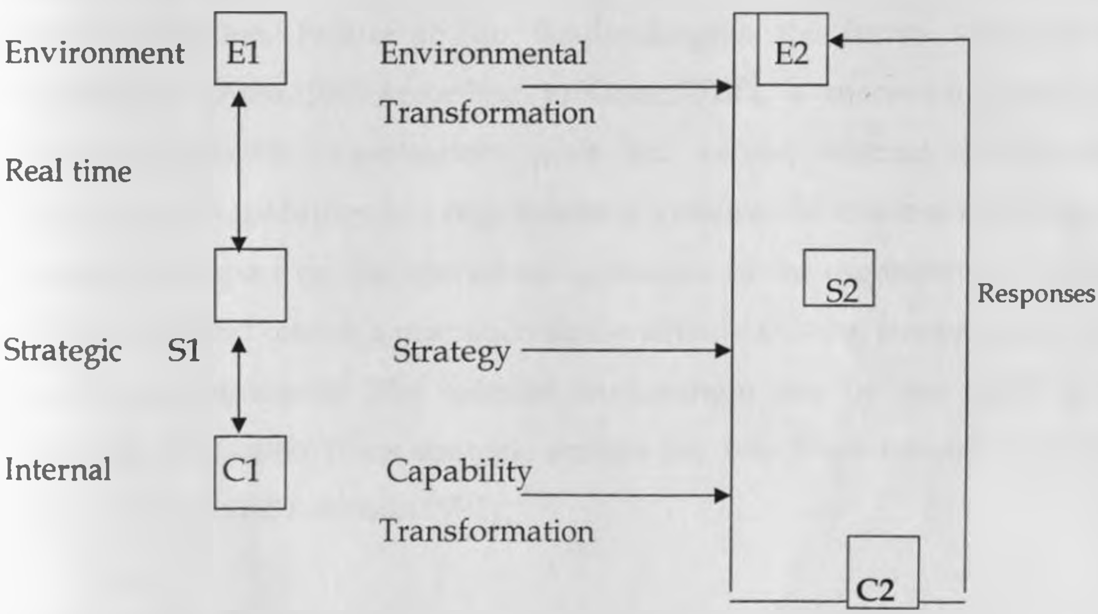
The process of strategic management is defined at both the primary and secondary levels, which are both corporate and business levels respectively. Strategic management process involves strategic analysis, strategic choice and strategic implementation and evaluation- strategic analysis is concerned with understanding the firm's strategic position in terms of its external environment vis-à-vis internal resources and expectations of stakeholders (Johnson and Scholes 2001). Strategic choice involves generating strategic options and selecting the best suited for achieving the firm's vision, mission and objectives (Pearce and
translation
Robinson 1999). Strategy implementation is the transaction of the strategy into action. According to Mintzberg (1987) in order to achieve a transformation change, there is need for reconfiguration of power structures within the organization. Strategic management therefore tries to ensure that opportunities are grasped, risks are acceptable, failure can be contained and success can be built upon and sustained (Hax and Majluf, 1996).

Organizational change should be a continuous thing as new ideas and challenges keep coming up. Strategy therefore must be flexible enough to accommodate these developments particularly the impact of the external environment. These definitions though offered by different authors over a period of time all emphasize the fact that strategic management is a dynamic and is concerned with providing and continuously adjusting the means by which organizations can effectively cope with the turbulent environment changes. Therefore strategic management is not only a continuous process but also dynamic

2.5 Relationship between the environment strategy and internal capability

Strategic response involves change in a firm strategic behavior to assure success in the transforming future environment. Ansoff and McDonnel, (1990) state that change in the organizations behaviors is necessary if success in the transformation of the future environment is to be assured. They noted that such changes which touch on the organizations strategy and capability would need to be systematically identified through the strategic diagnosis approach.

Fig 2.1: Relationship between the environment, strategy and internal capability



Source: Ansoff and McDonnel,1990,Implanting Strategic Management, New York 2nd Edition. Prentice Hall,pp40.

<u>Key</u>

E1 = Current environment	E2 = Future environment
S1 = Current strategy	S2 = Future strategy
C1 = Current Internal capability	C2 = Future internal capability

Figure 2.1 clearly indicates the environmental dependence of an organization. When there is an environmental shift from E1 to E2, then the organizations strategy has to be changed from S1 to S2 in order to adapt to the changed environmental conditions. However, this is possible when the organizations capability is changed from C1 to C2. Therefore an organization has to monitor its environment continuously so that it can identify any shift that requires 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 organizations 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 sales of the organization (Aosa,1998).According to Grant,(2000), a successful strategy is consistent with the organizations goals and values, external environment, resources and capabilities and organizational systems.The external environment changes do impact on the operational dynamics of the organizations internal environment and creates a mismatch on the already existing strategies that link the two environments. The external environment can be described as all conditions that affect firms strategic options but which are beyond the firms' control (Pearce and Robinson,1991).

2.6 Strategic Responses

Strategic responses are the set of decisions and actions in the formulation and implementation of plans designed to achieve a firm's objective (Pearce and Robinson,1991).Strategic responses are part of competitive strategies that organizations develop in defining goals and policies. They are reactions to what is happening in the environment of the organization.

Ansoff,(1999) discusses the role of general management into organization strategic responses. He states that for an organization to implement a strategic response, three components are essential. These are the right climate(will to respond),competence(ability to respond)and capacity(volume of responses).The general management should therefore ensure that the organization engage in behavior which will optimize the attainment of the organizations long term objectives. Climate settings determine the organization culture and involves mentality and power positions of the managers. Competence determines the organizational structures, systems and shared knowledge. Capacity to accommodate various management challenges that may arise over time.

Ansoff and McDonnell(1990) note that strategic responses involve changes to the organizational behaviour. Such responses may take forms depending on the organizations 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. The results of strategic activity are new products, new services, new processes, new markets, abandoned markets, new competitive strategies for attacking the markets and new responses to the social and political challenges. The overall responsibility for the effective responses belongs to the general management of the firm.

2.6.1 Competitive Strategy

Porter (1980) states that the goal of competitive strategy for business unit in an industry is to find a position in the industry where the company can best defend itself against the five competitive forces namely entry, threat of substitution, bargaining power of buyers, bargaining owner of suppliers and rivalry among current competitors. These five forces constitute the industry structure and it is from industry analysis that the firm determines its competitive strategy approaches to outperforming other firms in an industry. These are, overall cost ,leadership, differentiation and focus. In formulating its strategic response to changes in its environment, a firm must have first decided on a core idea or genetic strategy about how it can best complete in the market place.

2.6.2 Organizational Structure

Organizational structure is the grouping of the firm's logistic and managerial activities. This grouping of activities was stimulated by the growing turbulence of the firm's environment. Successful organizations once required an internal focus, structured interaction, self sufficiency, a top down approach. Today and tomorrow organizations reflects an external, interdependency and a bottom-up approach. (Pearce and Robinson 2003). One of the strategic responses to environmental turbulence is restructuring. Restructuring as a consequence of environmental changes is based on the notion that changes in environmental factors precipitate mismatches between the structure of an organization and its environment. Consequently it is normally inevitable to devise the appropriate strategy that would create a "fit" between the environment and the organization structure. Thus as a strategy of an organization is dependent on the environment, the organizations strategy will cause the organization to develop its internal capability that will enable it to exploit the opportunities in the environment or to overcome environmental challenges (Ansoff, 1990).

Corporations undergoing operational and strategic challenges normally follow restructuring strategies. This involves changing the current direction, focus, governance and thinking in order to take advantage of the new opportunities posed by the environment to turn threats into opportunities. Further, restructuring is affected to overcome identified and anticipated competitive disadvantages or weakness challenges. For an organization to be economically effective there needs to be a matching process between the organizations strategy and its structure, a concept code referred to as "strategic fit" in strategic management. At the heart of restructuring is the notion that some activities within a business's value chain are more critical to the success of the business's strategy than others.

Business process re-engineering (BPR), popularized by consultants Hammer and Champy (1993) is one of the more popular methods by which organizations have undergone restructuring efforts to remain competitive. BPR is intended to reorganize a company so that it can best value for the customer by eliminating barriers that create distance between employees and customers. It involves fundamental rethinking and radical redesign of a business process to achieve dramatic improvements such as cost, quality , service and speed. Re-engineering and value orientation have led to downsizing, outsourcing and self management as the themes influencing organizational structures. It has also resulted in the formation of strategic alliances.

Downsizing results in increased self-management, larger spans of control and more work for those that remain. Outsourcing is obtaining work that was previously done by employees inside the organization from sources outside the company. Many companies have outsourced some activities such as information processing, various personal activities and production of parts that can be done better outside the company. Outsourcing then can be a source of competitive advantage and result in a leaner, flatter organization structure. Strategic alliances with suppliers, partners, contractors and other providers allow partners to the alliance to focus on what they do best from everything else and quickly provide value to the customer.

A final aspect of organizational structure is the removal of structural barriers and the creation of the learning organization. Jonson and Scholes (2002) define learning organization as one capable of continual regeneration from the variety of knowledge, experience, and skills of individuals within a culture which encourages mutual questioning and challenge around a shared purpose or vision.

2.6.3 Marketing

Kotler (2000) define marketing as a social process by which individuals and groups obtain what they need and want through creating, offering and freely exchanging products and services of value with others. It has also been defined as the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods or services to create exchanges that satisfy individual and organizational objectives. An excellent way to analyze marketing as a strategic response is to use the product-market expansion grid proposed by Ansolff (1957) as provided in table 2.2.

Table 2.2. Ansoff's Product market-expansion grid

Products / Market	Current products	New products
Current markets	Market penetration strategy	Product development strategy
New markets	Marketing development strategy	Diversification strategy

(Source: Phillip Kotler 'Strategies for diversification' 11th Edition 2000,page 100 adapted from by Ansoff Igor, September-October 1957)

As shown in table 2.2 market strategies involves marketing current products in current markets. This is not a viable strategic response in a changing environment. Market development consists of marketing current products, often with only cosmetic modifications to customers in new markets for example adding channels of distribution or by changing the content of advertising or promotion. Market development strategy involves substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. An alternative term for development is innovation. The key to success in today's competitive environment is continual substitution of new products and services. Firms which do not innovate do not survive (Ansoff and Mc Donell, 1990).

2.6.4 Diversification

Diversification makes sense when good opportunities can be found outside the present businesses. Kotler (2000) states that a good opportunity is one in which the industry is highly attractive and the company has the mix of business strengths to be successful. Three types of diversification are possible. The company could seek new products that have technological and or marketing synergies with existing product lines even though the new products themselves may appeal to a different group of customers (concentric diversification). Second the company might search for new products that could appeal to its current customers even though the new products are technologically unrelated to its current product line (horizontal diversification). Finally the company might seek new businesses that have no relationship to the company's current technology products or markets (conglomerate diversification).

2.6.5 Divestiture

It involves sale of a firm or a major component of a firm. Companies must not only develop new businesses but also carefully prune, harvest or divest and tire weak businesses or products in order to release needed resources and reduce costs. Kotler suggests that manager's focus on the company's growth opportunities not fritter away energy and resources trying to salvage hemorrhaging businesses with high market value can be sacrificed.

2.6.6 Leadership and culture

According to Kotler (1990) leadership is about coping with change. Part of the reason leadership has become so important in recent years is that the business world has become more competitive and more volatile. Major changes are more and more necessary to survive and complete in this new environment. More change always demands more leadership. Pearce and Robinson (2003) observe that organizational leadership involves action in first guiding the organization to deal with constant change by embracing change, clarifying strategic intent and shaping the culture to fit with opportunities and challenges that change affords and second identifying and supplying the organization with operating managers prepared to provide leadership and vision.

Ansoff and McDonnell (1990) characterize organization leadership as general management capability. They define general management as the propensity and ability of the general management to engage in behavior which will optimize attainment of the firms near and long term objectives. They see general management's role as that of a developer of the firm's future. The successful performance of this role requires a climate within the firm which welcomes and seeks change, competence to anticipate, analyze and select attractive opportunities. They recognize that general management's capability is determined by qualifications and mentality of key managers, social climate (culture) within the firm, power structure, systems and organizational structure and capacity of general management to do managerial work.

According to Pearce and Robinson (2003) organizational culture is the set of important assumptions (often unstated) that members of an organization share in common. An organization's culture is similar to an individual's personality- an intangible yet ever present theme that provide meaning direction and the basis of action. Insightful leaders nurture key themes or dominant values within their organizations that reinforce the competitive advantages they possess or seek such as quality, differentiation, cost and speed. The most typical beliefs that shape organizational culture includes a belief in being the best, a belief in superior quality and service, a belief in the importance of people as individuals and a faith in their ability to make a strong contribution, a belief in the importance of the details of execution, the nuts and bolts of doing the job well, and a belief that customers should reign supreme. One approach to develop a culture of quality is through Total Quality Management (TQM) whose ideas and principles were espoused by Deming (1950). TQM focuses management on the continuous improvement of all operations, functions and above all process of work. It is built around an intense focus on customer satisfaction, an accurate measurement of every critical variable in a business's operation, on continuous improvement of products, services and on work relationships based on trust and teamwork. An important tool for TQM is benchmarking whose objective is to identify the best practices in performing an activity, to learn how lower costs, fewer defects or other outcomes linked to the excellence are achieved.

2.6.7 Information technology

Since a large part of business activity is concerned with processing and transmitting information within and between organizations, information processing capability can improve an organizations strategic capability and create competitive edge. Technology developments can take several forms each which might give organizations advantage in a particular way. Such as novelty in product or service, novelty in the process so that others cannot match the speed, lower cost and customized products. It can also offer processes that are complex so that others find it difficult to master. The computer and developments in telecommunications are the most important aspects of information technology that have transformed the processes in business organizations which has led to dramatic improvements in productivity are reduction in costs while telecommunications have dramatically improved the speed with which information is transmitted thus facilitating speedy decision making.

Information technology has become an indispensable ingredient in several strategic thrusts that businesses have initiated to meet the challenges of change. Such strategic thrusts include internets which have become the primary information technology infrastructure that supports the business operation. This is especially evident in electronic commerce. Using information technology for business process re-engineering frequently result in the development of information systems that help give a company competitive advantage in the market place. These strategic information systems use information technology to develop products, services and processes and capabilities that give a business a strategic advantage over the competitive forces it faces in its industry (O'Brien, 1999).

The foregoing key components of the firm constitute the firms potential capability. A firm's strategic response is concerned with adjustments in these components to accommodate changes in its environment and create competitive advantage for the organization (Abdullahi, 2000).

2.7 Summary

Firms operate in changing and hostile business environment. The environment does not always accommodate the interests of the firms. Firms have to respond strategically to environmental factor in order to be sustainable,(Hamel and Prahald,1993).Organizations need to respond and adapt to changing conditions if they intend to survive(Proctor,2000).

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 Research Design

The study adopted a case study design aimed at identifying environmental changes and documenting the strategic responses to the changing environmental condition. The researcher personally interviewed the respondents using the prepared questionnaire as a guide. The advantage of using a case study include pattern of the concerned unit facilitating intensive study of concerned unit which makes it possible obtaining the inside facts from the experienced employees.

3.2 Data Collection

Secondary data was collected from the existing records of BBK such as those relating to promotional effects, restructuring programs and community efforts. These were drawn from internal circulars and BBK cascade which is a staff newsletter addition to trade journals.

The study was carried out in Nairobi where the headquarters of BBK is located and the target respondents based. The respondents comprised those who have been involved in a formulation of the strategic response variables that were being studied and the heads and directors of major departments who are also charged with the responsibility of overseeing the implementation of strategy in BBK.

The researcher collected the primary data by individually interviewing twenty five respondents, who are the managers in Nairobi who also help in decision making in Barclays. The interview process was guided by the pre-read questions to facilitate the depth coverage of the strategic responses by BBK to its changing competitive situation. The researcher designed the questionnaire on the basis of the objectives of the research and the study's literature review the questionnaire will be divided in various sections.

3.3 Data Analysis

The data was analyzed using content analysis. The data collected on the strategic responses, was analyzed qualitatively on the basis of the strategic variables highlighted. Content analysis was used in analyzing the in depth qualitative data that had been collected. The information gathered was analyzed using the same technique which involves logical grouping of the gathered to enable the research apply qualitative analysis computing results and interpretations.

Content analysis is the systematic qualitative description of its composition of the objects or material of the study. It involves observation and detailed description of objects, items or things that comprise the sample. This economics on time and resources, where applicable figure will presented in tabular forms. This type of analysis has been used in similar studies in the past including Bett (1995), Combo (1997) Njau (2000) and Kandie (2001). According to Mugenda (1999) content analysis is the systematic qualitative description of the composition of the objects or materials of study.

CHAPTER FOUR:
DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter focuses on the key external environmental changes and the strategic responses taking the case of Barclays Bank of Kenya in point. The collected data has been analyzed and interpreted in line with the aim of the study, namely the strategic responses by BBK to the changing environment.

4.2 The Respondent Profiles

The respondents of this case study are part of the Management team of Barclays Bank of Kenya and have been involved in the formulation of strategic responses that were being studied- Restructuring, information technology, marketing, re-capitalization and culture change and are charged with the responsibility of overseeing the implementation of these responses. Twenty of the respondents have held management positions at BBK for over ten years. The rest five were new entrants both from within and outside the banking industry. Thus, their contribution to the strategic responses of BBK to the changing competitive situation facing the bank is drawn from a broad reservoir of experience and knowledge.

4.3 Challenges Facing Barclays Bank

4.3.1 Changing Business Environment

The environmental changes were identified and the respondents were asked to state if they agree or disagree that the changes have taken place in the business environment. The respondents' result are as shown in Table 4.1.

Table 4.1: Changes in the business environment

Environmental changes	Yes responses	No responses	Total
Economic decline	72%	28%	100%
Liberazation	40%	60%	100%
Legislation changes	60%	40%	100%
Level of education	81%	16%	100%
Technological change	88%	12%	100%

As shown in Table 4.1, 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 BBK. As shown in Table 4.1, the respondents identified five major macro- environmental changes that have occurred in business environment in Kenya, which have made an impact on BBK. These are economic decline, liberalization, legislative changes, increasing level of education and technological advancements.

According to 72% of the respondents, economic recession has resulted in fewer business opportunities for clients consequently the level of deposits have gone done while the ability of the bank customers to borrow and service their loans has declined.

Liberalization in the Kenyan economy has led to an increase in the number of financial institutions both formal and informal; this is according to 40% of the respondents. Furthermore, the privatization policies adopted by the government have resulted in the loss of preciously guaranteed businesses now have to be won by competing effectively through efficiency and customer satisfaction.60% of the respondents did not feel that liberization was a major change in the business environment in Kenya.

According to 60% of the respondents as shown in Table 4.1, legislative changes have led to a reduction of interest margins in banks especially with the emergence of the Central Bank Amendment Act (2000) that set limits on interest rates. In addition, some smaller commercial banks have merged and have become a major threat to the Big five banks which included BBK. Such mergers were occasioned by the increase in the minimum capital requirement for commercial banks. 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.

84% of the respondents thought that the increased level of education and awareness among Kenyans has led to the emergence of a more informed/ demanding clientele. BBK has had to undertake market segmentation (standard customers, prestige customers, premier customers, local business customers and corporate customers) and the development of a variety of products to satisfy the constantly changing needs of the banks target markets. Hogendoom (2000) advised Kenyan banks 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.

Lastly, as seen if Table 4.1 a big number of the respondents(88%) interviewed said,technology advancements has resulted in the concepts of one branch banks, home banking, internet banking, and mobile banking. BBK therefore is in the process of phasing out its legacy IT system and replacing them with open system that will provide more convenient banking services based on the highlighted concepts. Actually the bank has embraced on centralization programs, which will see all the branches, interlinked by one network. Hence one branch banking.

Banks looking for a safer investment in a period of high risk raised their interest rates on loans in tune with the governments move, thus beginning a trend that has now dominated the better part of the last 10years. During this period, the spread between lending and deposit rates, the spread between lending and deposit rate in Kenya's banking sector has remained very high.
In the 1980's the economy started deteriorating leading to a period of stagnation and loss making. The 1980's saw a computerization explosion in the banking industry. This was due to the increased power of computers at affordable price. The Banks of course pioneered by technological advancements took up the concept of one- branch bank in Kenya which relied on centralization of the Banks operations.

4.3.2 Competitive situation in the Banking Industry.

Five forces influence the competitive situation in the 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 play apart in the banking industry in Kenya. The respondent's assessment of the intensity of these forces is presented in Table 4.2.

Table 4.2: Intensity of competitive forces in the banking Industry.

Competitive forces	Very low	Low	Indifferent	High	Very High
Barriers to entry	4%	4%	12%	32%	48%
Rivalry industry	0%	0%	8%	30%	62%
Threats of substitutes	0%	48%	48%	4%	0%
Power of buyers	0%	8%	20%	60%	12%
Power of suppliers	4%	4%	12%	70%	8%

The respondents were asked to rate the competitive forces on a likert scale.

As shown in Table 4.2, 48% of the respondents said that the barriers to entry into the banking industry such as minimum capital requirements for commercial banks,were very 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 co-operative societies, which offer products/services that, are good substitutes to those offered by banks. Rivalry amongst the banks is considered high this is according to 62% of the respondents. However, power of suppliers and suppliers was felt to be high as given by 60% and 72% of the respondents respectively. This is because of the availability of many banks in the market and according to the choice of the customers as to which bank they would choose to do business with.

4.4 Strategic Responses

Barclays Bank of Kenya has been responding viciously to the environmental changes that have influenced its competitive situation. Some of the strategic responses, include; Information technology strategy, restructuring, marketing, cultural changes, recapitalization and change in service delivery and introduction of new products in the market. The respondents were asked about the strategic responses by the bank. Others could identify with the responses, others did not agree while others were indifferent about the strategic responses identified, as seen in Table 4.3.

Table 4.3: Strategic responses

Responses	Yes	No	In different
Restructuring	95%	3%	2%
Marketing	80%	12%	8%
Culture change	58%	32%	10%
Information technology	60%	28%	12%
Re-capitalization	18%	78%	4%
Service delivery system / product development	93%	6%	1%

Six strategic responses were identified by the respondents as seen in Table 4.3.Restructuring was seen to be prominent according to 95% of the respondents, while 3% said they did not see it as one of the responses and 2% were indifferent. In marketing only 80% said yes they believe marketing is a strategic responses under taken by the bank,12% said no while 8% were indifferent to marketing as one of the responses.Culture change was felt to be present according to 58% of the respondents while 28% did not agree to it and 12 % were in different to culture change.

Information technology as a strategic change was supported by 60% while 28% said they did not feel it was a strategic response while 12% were indifferent about this issue. Recapitalization was not a strategic response,78% of the respondents said so, while 18% suggested that recapitalization was a strategic move. Lastly 93% of the respondents felt that service delivery and product development was a major strategic change,6% disagreed to this while 1% were indifferent on this strategic change.

4.4.1 Restructuring

As shown in table 4.3, 95% of the respondents say BBK has been undertaking corporate restructuring with the process being accelerated within the last one year. Both internal and external expertise has been utilized in the process. Restructuring has taken the form of: Network expansion, modernization separating of banking services into retail, business and corporate segments to effectively meet the needs of the respective market segments, change in senior management bringing in staff with more knowledge and expertise, redesign of jobs and relevant performance measures, process mapping and subsequent reduction of service level agreements (S.L.A's) shorter reporting lines, integration of subsidiary business e.g Partening with Nakumatt in issuing credit cards, outsourcing of non- core services such as mail delivery and cleaning services.

According to the respondents, these forms of restructuring were chosen because they were considered appropriate for the attainment of the number of objectives of BBK.

Assessing training effectiveness in relation to business objectives in a competitive environment is also part of the banks restructuring program hence the introduction of the Barclays University. Automation of back and front office processes to avoid duplications enhance efficiency. The bank also embarked on

vigorous recovery of bad debts through the use of internal and external legal experts.
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.

The restructuring process has been costly to implement. The benefits of restructuring are long term in nature, yet the stakeholders would like to realize 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 the opportunity to freely air their ideas to the top management .Credit assessment in place, the bank credit policy was more provident and the risk management will ensure that such credit payment will be repayable within expected payback period and will fetch enough interest, as the risk managements of the bank will be ensured to be closely maintained.
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.

4.4.2 Marketing

Table 4.3, indicates that 80% of the respondents say there have been strategic changes in marketing at BBK within the last ten years. Market segments have been redefined and the marketing function being reorganized into retail and corporate divisions. The former targets the mass markets and comprises individuals as well as small and medium sized businesses. The corporate division services the specialized needs of large business organizations with respective corporate relationship managers being assigned to handle all their banking requirements at BBK.In a bid to ensure the provision of products and services that meet the changing needs of the customers, the bank emphasizes the continuous development of new products and services. Hence the introduction of a products department.

The bank is putting a lot of emphasis on improving customer service. A lot of money is being spent on physical renovations of branches, staff training and other activities whose objective behind the improvement of customer service is increased competition. BBK is now segmenting its market and carefully identifying its customers. There is a realization that competing across the board may not be the best way forward.
The idea is to select target customers and give them quality service. Some banks are moving up – market to target corporate customers and high net worth individuals while others are focusing on small and or medium savers. These changes are initiated because they were seen as crucial to the achievement of marketing objectives. The main reason for these changes has been to make BBK more customers focused and customer orientated bank.

The bank is undertaking very aggressive marketing. This is taking the form of: Pricing- There is competitive pricing of products, products innovative, new products are being introduced in the market. Promotion- BBK currently is actively advertising its products and services, trying to suit and fit into the needs of different types of customers. Placing the bank has in the last one year done a great network expansion on its branches and other channels of distribution like the ATMS.

Due to the current competition in the banking industry, the bank has seriously gone into product diversity and customer focus. The bank now offers the market at all levels a full range of banking products. Barclays bank is also aggressively improving its services to customers. Some activities include developing and implementing customer service department of vibrant professional sales team, continuous training of staff, and centralization of its operations.

Resistance to the marketing initiatives has been minimized 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 initiative

The general enhancement of marketing strategies ensured that the bank used marketing strategies to market its products and develop its markets and aggressiveness involved made the bank to maintain its market share and to beat competition. The bank ensured easy access to followed credit and trade finances facilities at negotiable interest rates and fees by its clientele. This was done through specialized professional services and products suggested are products tailored to specific needs and it's delivered through account relationship managers situated at corporate centers of expertise. Despite the above efforts most of the respondent felt that the bank is not doing enough marketing of its electronic media. The felt that the bank is concentrating on personal selling by its staff.

4.4.3 Information technology

As indicated in Table 4.3, 60% of the respondents feel that modernization of the computer system designed to cut costs, improves delivery to customers, is progressively according to schedule. The entire BBK in the last 10 years BBK has been making changing in its information technology systems in response to its changing competitive situation.60% of the respondents noted that the major change in it is phasing out the old systems that are main frame based and replacing with new open standard systems. This would facilitate better interconnectivity of all the branches and other functions.

The information Technology changes according to 60% of the respondents include short term upgrades of the systems to take advantage of technological innovations centralization of the banks clearing system, both inter branch and inter bank. Installation of visa enables ATMS, in many points, linkage with international payment system as the society of worldwide interbank financial transfers (SWIFT), do enable effective and efficient transfer of money from one country to another.

The above IT changes, according to the respondents, were aimed at achieving 3 main objectives. One of these were the need to improve customer service through a more convenient and faster access to the bank services through the access of interbranch baking and visa enabled ATMS/CARDS. 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 installation of the intra-net access.

While making these changes, BBK has faced some constraints. IT changes involve substantial cost in terms of software, hardware and qualified personal. The training of the new ways of working. Technological innovations rely on telecommunication efficiency. However the existing communication infrastructure in Kenya is poor and hence, it hampers the full realization of the benefits of the technological improvements.

The respondents added that the field of information technology is highly dynamic. As a result what may be seen as a satisfactory is adoption today will soon be considered obsolete even before the full benefits have been realized. Some of the banks IT systems were pre- packaged. As a result the respondents noted that there was heavy reliance by BBK on vendor support that was not always readily available. In a bid to overcome the above changes, BBK has accordingly to the respondents, been reviewing its contractual relationships with its vendors.

In addition, BBK has invested in the training of its staff and IT staff and in the acquisition of expertise from outside the bank The respondents also identified that, in order to enhance the speed and reliability of telecommunication, BBK has been exploring the use of satellite communication.

Despite the challenges, the respondents considered the IT adaptations to have achieved their objectives a large extent. However half of the respondents considered the bank. It responses as lagging behind because of its international status, while the other half were of the opinion that these adaptations adequately meet the needs of both the bank and its customers. Information technology resulted to configured and deployed systems for centralized data bases and processing it will also lead to online information access and retrieval together with real time information processing.

4.4.4 Culture change

As Table 4.3 shows 58% of the respondents say following the restructuring of the bank, a strategy and change management division was created. Both internal and external forces have influenced the necessity for a culture shift at BBK. Changes have been made to establish a culture shift at BBK. The research respondents noted that the various efforts have been made to facilitate the realization of a culture that is compatible with the changing competitive situation facing BBK.

There has been an emphasis on the banks vision and mission to the best bank in Africa. The vision is meant to focus in one direction, all the turn around affects that are being undertaken which include the culture change programme. Staff attitude surveys and dip-stick surveys have been introduced. These were aimed at monitoring and collecting the views and of the BBK staff on issues that are critical to the performance of the bank, especially those that touch on the staff morale. This survey is done yearly. A more customer focus service approach has been encouraged. This has been through the use of the concepts of Treating Customer Fairly (T.C.F) that is becoming more widely shared across the bank.

Better communication across the bank has been enhanced with upward communication being encouraged. This is through the introduction of feedback forms and coaching sessions. The establishment of the banks intra-net has enhanced this. Emphasis continues to be made on the need for team building, rather than concentrating only on individual performance. This has been encouraged through team building activities and job shadowing.

In the last few years, Barclays has launched a new brand, (the new eagle). In addition to redesign and rebranding of the branches, prestige centers and premier centers. The open plan office designs, has been achieved currently in all the offices. All these are expected to capture and reflect the new look of the bank.

Branch heads are no longer referred to as managers but team leaders. This is to bring a new concept of not managing people but leading the staff.

There have been changes on the dressing code of both customers facing staff and non customer facing staff, to enhance their professional image. The bank identified the need for a culture shift in order to portray the new values of treating customers fairly. Complaint handling has been a major issue and key agenda in banks objective.

To enhance understanding and commitment across the bank, both staff and management have been issued with laminated cards containing the banks key value drivers. 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. 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 improvements so as enable the bank become world class and to compete effectively.

BBK has focused more on change of their culture and attitude realizing that the old culture and attitude both at individual employee and corporate levels have seriously and negatively impacted on their performance. Barclays has maintained the culture of concentrating only on a few core clienteles in the affluent urban market this culture has greatly changes in the last one year due to the massive branch expansion to the rural areas.

4.4.5 Re- capitalization

Over and above their core capital, some banks have what is called supplementary capital to boost the capital base. The combination of core capital and supplementary capital is what is referred to as total capital. The banks issuance of bonds through the Nairobi stock exchange is a recapitalization objective. This is according to 18% of the respondents only.

The bank is also aggressively recovering outstanding and bad debts, through experts, which puts the bank in the right path of capitalization. The respondents the bank has learnt from its past mistakes and has put enough measures to help reduce the issue of bad debts in the future. Majority of the respondents (78%) as indicated in Table 4.3 thought Re-capitalization is not a strategic change that BBK has undertaken to curb changes in the environment,while 4% were indifferent about the same issue.

4.4.6 Service delivery systems and product development

As shown in table 4.3,a high percentage of the respondents feel that the growing competition in the business environments calls for the development of new business strategies by every organization, that is 93% of the respondents.. Indeed as the organizations make new innovations, they must continuously keep abreast of what organizations are doing. Judged by the increasing similar of product and service features, one can easily postulate the organizations are slowly replicating products and services developed by competitors.

BBK has increased its network expansion last one year from 65 and 82 to 115 and 231 branches and ATMS, to the environmental changes and the ever changing needs of customers need flexibility and convenience in service delivery. This has seen the bank change its operating hours from 9:00am to 4.00 pm in most of its branches/ outlets. There has been a vigorous branch expansion strategy targeting the remotest parts of the country. This has ensured closed proximity to clients.

The bank has laid a lot of emphasis on product development and modification to respond to the ever changing needs of customers and to improve its revenue base and productivity. The marketing product department is now constantly truncating market opportunities, for new and existing products. The bank in the last 10years has launched new products and services to satisfy and reach all levels of customers in the market. They are products and services for lower level market, middle level markets and also products and services to satisfy those in upper end of the market. There are a variety of products/ service to choose from.

4.5 Summary

According to the respondents, the strategic responses made by BBK to adopt to the changing environment are not been fully exploited. The respondents also stated BBK should undertake more proactive initiatives and less reactive responses to facilitate the management of its environments. Respondents however, were confident that BBK 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 BBK could enhance its capability by getting strategic partner that offers complementary services and also has large capital reserves to boost the banks financial resource base.

Trends in the business environment, more than ever before, now call for strategic alliances for cost effectiveness In service delivery and economies of scale for mutual benefit of organization involved. These alliances will facilitate information and knowledge sharing, technical co-operation in projects including payment systems, computerization and training. The bank formulates its plans in recognition that no organization can operate successfully in an unplanned environment. Indeed, many corporate entitle embrace strategic management and strategic fit as a tool of achieving their corporate objectives.

From the above discussions and findings we see that restructuring, service delivery systems and product development, marketing, information technology ,culture change and recapitalization were seen to be the major strategic response the banks has adopted to the changes in the environment. This is in order of hierchary depending on the percentages of positive responses by the respondents.

CHAPTER FIVE:
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

This study was primarily aimed at achieving two objectives; to determine the strategic responses that Barclays Bank of Kenya Limited has adapted to changes in the environment and to determine the changes and factors that influence the strategic responses.

Regarding the first objective, the study confirms that there have been many changes in Kenyan economy in the last decade. The major changes include economic decline, liberalization, legislative changes, increased level of education and technologies advancements. These changes have contributed to the intense competition in the banking industry especially through the wide availability of substitute products as seen in the case of Forex bureaus as well as the increase in the rivalry within the industry. As a result, BBK has had to take measures to counter the impact of such forces.

Economic decline in Kenya especially in the last one year has affected most businesses in the country, level of deposits in the banks has drastically reduced and the ability of customers to borrow and service loans from banks has greatly reduced. Liberazation and legislative changes has introduced new players in the market at the same time it has led to mergers and acquisitions and more so the emergence of the Cental Bank Amendment Act(2000),has sets limits on the banks interest rates and also affected the minimum capital requirement for commercial banks.

The research results also found out that the level of education among the banks customers has greatly improved and hence customers are now able to make more informed and better decisions on their choice of banks, products and services. Further more the research found out technological advancement in the industry was also a major change and it determines the effectiveness and efficiency of how the bank conducts its business.

The research outcome further shows that Porters competitive forces play a big role and is seen in the banking industry, these include barriers to entry, rivalry in the industry, threats of substitutes, power of buyers and power of suppliers. Barclays bank has not escaped the effect of the above forces in its operations and hence some of the strategic responses by the business geared towards the above forces.

The research findings indicates that Barclays has addressed its changing environmental situation by formulating and implementing strategic responses that include restructuring, marketing, information technology culture change, recapitalization, service delivery systems and product development. The respondents feel that these responses by the bank has and is still greatly helping the bank to be competitive in the market and in the industry as a whole.

The study found out that there has been a major restructuring in Barclays especially in the last one year, this comes about by the opening on many new branches and also the increase in the distribution channel(A.T.MS) making it easy to reach their clients in remote areas in the country. Barclays also is changing its Information Technology systems so as to be more effective and efficient in its day to day operations.

The study found out that cultural transformation has taken place where barriers between top management has been brought down through team building, outbound training sessions and open door policy has indeed, demystify certain senior offices. BBK has also developed new products and to respond to changes in the environment. Recently Barclays has introduced new income accounts, free banking, one tariffs accounts, prestige banking premier banking, Sharia compliant accounts, scheme loans, mass market products. Barclays has taken a new approach in marketing its products and services to its customers, initially it was seen as a very conservative bank dealing with high income-urban customers but now that perception is being changed by how the bank is doing its marketing and also offering new products and services in the markets that cuts across all levels of customers.

5.2 Recommendations

The environment in which organizations operate is turbulent and forces organizations to have strategic responses which are well developed and appropriately adapted, are powerful tools for acquiring and sustaining competitive advantage such weapons have to be constantly adapted or even transformed to achieve desired advantage.

In view of the above the researchers suggests that BBK should become more proactive rather than reactive in managing its changing competitive situation. This can be achieved by formulating and implementing strategic initiative that would pre-empt any anticipated adverse changes in its dynamic environment.BBK has a wide network coverage the researcher, therefore suggests that the bank should maximize on its competitive strength my developing competitive strategies on the basis of already existing advantage.

Secondly the bank should aggressively market its products and services through the print and electronic media in order to attract more business and customers who are not banked. BBK has a wide network of outlets therefore suggest that the bank should maximize on its competitive strengths by developing competitive strategies on the basis of this already existing advantage.

The bank should always conduct market research and be able to develop new products and services to ensure that the bank is in tune with turbulent business environment. This will ensure that the bank becomes proactive in continuous marketing research.

It should continue with prudent credit assessment and risk management. This will ensure that cases of bad debts are avoided. This makes the bank to evaluate the credits the banks offers is prudently matched with the payback period well known. Lastly the bank should reduce costs in order to increase revenues that can be used to enhance the provision of quality service that will increase profits.

5.3 Limitation of the study

The target respondents were all employees especially all managers of Barclays Bank of Kenya but due to scarcity of resources in terms of research funds and time only respondents who are Managers in Nairobi were considered. However the findings generally represent the position of Barclays Bank according to a few managers in Nairobi and results could have been significantly different had other employees countrywide been included.

Some respondents seemed unable to trust the intention of the researcher and hence may not have sincerely indicated all aspects in relation to the study. Another limitation was the sample size and the interview method used to collect data, which was time consuming and most of the respondents were always busy hence appointments were most of the time re-scheduled.

5.4 Recommendations for further research

Despite the in-depth coverage of this study and its findings, there still exists a gap that future researchers could explore. The study recommends further research on response by other companies to changes in the business environment. Not only in the banking industry but also other sectors. Further study will bring insights in the area of study.

Wide-study survey covering the whole industry can be undertaken. This will allow for industry generalizations to be made. This is because the current study only covers one bank in the banking industry and the wide study should be able to cover all banks in the industry hence being able to compare and contrast all the players in the banking industry. Alternatively comparative study between multinational bank like BBK and indigenous bank like Equity, NBK can be carried out to see if there exists any further difference in their strategies.

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APPENDIX 1: LETTER OF INTRODUCTION

Dear Colleagues,

RE: REQUEST FOR RESEARCH INFORMATION

I am contact centre Agent at the contact centre in south C and student at the University of Nairobi, School o f Business Pursuing a Masters Degree in Business Administration (MBA). I am undertaking a research project on strategic responses by the Barclays Bank of Kenya limited to changes in the environment as part of the academic requirements for the award of the stated degree.

I would be grateful if you could spare a moment of your time and allow me to interview using the attached questionnaire, to help me gather the necessary information. This information you give shall be treated with utmost confidentiality and be used solely for this research problem.

Incase of any queries pertaining to this research project, do no t hesitate to call me on Tel: 0722 - 245335.
Any additional information you might consider necessary for this study will be highly appreciated.

Thanks in advance

Yours sincerely,

KOK'S J. SHEILLA

APPENDIX 2: INTERVIEW GUIDE

1. What are the major changes in business environment that have affect BBK in the last 10 years.
2. What challenges have these changes posed to BBK?
3. Has BBK responded to the environmental changes identified above?
4. How has the bank responded to the environmental changes?
5. Are the responses adequate?
6. Are there challenges the bank has not responded to?
7. What else should the bank do to remain relevant in the market place?
8. Does the bank have the necessary capabilities to match internal resources with the external environment?
9. According to your assessment, does BBK currently posses the necessary capability to adopt aggressive strategies to match the external environment changes? If not, please indicate the possible means by which the bank assures these capabilities?

Restructuring

1. Has there been corporate restructuring at BBK in the last 10 year. If yes please describe the nature of restructuring.
2. What were the objectives of restructuring process?
3. How was the process of restructuring undertaken?
4. Please indicate the challenges that were faced by BBK during restructuring.

Marketing

1. Have there been changes in marketing at BBK?
2. What were the objectives of the marketing changes?
3. How were these changes effected?
4. Please indicate the challenges faced by BBK while making these changes
5. What is the current status of the marketing responses by BBK to its changing competitive situation?

Culture change

Have there been changes in the last 10 years? Please elaborate

Other responses

1. Please state any other responses that BBK has made as a result of the changing competitive situation facing the bank
2. How have these responses been effected
3. Please indicate the challenges faced by BBK while developing and/or implementing such responses
4. What is the current status of these responses by BBK to its changing competitive situation?
5. What mechanisms has BBK put in place to detect changes in the environment?
6. How has Barclays bank responded to changes in the environment?
7. What factors have facilitated your efforts in responding to the changes in the environment?
8. What factors have hindered your efforts in responding to changes in the environment?