

**CRITICAL SUCCESS FACTORS AND STRATEGY IN THE BANKING
INDUSTRY IN KENYA**

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A Management Research Project Report submitted in partial fulfillment of the requirements for the award of the Degree of Master of Business Administration, Department of Business Administration, school of business, University of Nairobi.

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DECLARATION

This research project is my original work and to the best of my knowledge has not been submitted for a degree course in this or any other University.

Signed



Date

18/11/2008

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

Signed



Date

18th/11/2008

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DEDICATION

This piece of work is dedicated to my dear wife, Ruth and my son Clinton.

ACKNOWLEDGEMENT

The process of this master project writing is a wonderful learning experience in our academic life which is filled with challenges and rewards. The completion of the present study leads a new beginning and a step forward towards our future.

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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Critical success factors and strategy

Critical success factors (CSFs) are those product features that are particularly valued by a group of customers, and, therefore, where the organization must excel to outperform competition (Johnson and Scholes 2002). The concept of Critical success factors was first introduced by Rockart (1979) as a mechanism to identify the information needs of Chief executive officers. Rockart asked what it takes to be successful in a business and concluded that the answer was critical success factors. He defined CSFs as limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization. Critical success factors are those things which must go right for the organization to achieve its mission. The advantages of identifying CSFs are that they are simple to understand; they help focus attention on major concerns; they are easy to communicate to coworkers; they are easy to monitor; and they can be used in concert with strategic planning methodologies. Critical success factors are the critical factors or activities required for ensuring the success of business. Critical success factors have been used significantly to present or identify a few key factors that organizations should focus on to be successful.

Using critical success factors as an isolated event does not represent critical strategic thinking, but when used in conjunction with a planning process. Identifying CSFs is extremely important because it keeps people focused. Clarifying the priority order of CSFs, measuring results, and achieving rewarding superior performance will improve the odds for long term success as well. There are four basic types of CSFs according to Rockart. They are; Industry CSFs resulting from specific industry characteristics, Strategy CSFs resulting from the chosen competitive strategy of business; Environmental CSFs resulting from economic or technological changes and Temporal CSFs resulting from internal organizational needs and changes.

Critical success factors are strongly related to the mission, vision and strategic goals of business, organization or project. Vision and mission provide direction and scope for the

firm's activities, while Critical Success Factors focus on the most important areas and get to the very heart of what is to be achieved and how to achieve it. Once CSFs are identified, executives can use them to develop company strategies. It involves the identification and analysis of a limited number of areas in which high performance will ensure successful competitive position (Pearce and Robinson, 2002). Kotler (2001) has indicated the necessity for organizations to develop competitive advantage to succeed. Poor firms ignore their competitors, average firms copy their competitors, while winning firms lead their competitors. Things that are measured get done more often than things that are not measured. Each CSF should be measurable and associated with a target goal. You don't need exact measures to manage. Primary measures that should be listed include critical success levels (such as number of transactions per month) or , in cases where specific measurements are more difficult, general goals should be specified such as moving up in an industry customer service survey.

The critical success factors draw their importance from the desire for business to flourish and create competitive advantage in the market place through superior strategic capacity. Strategic capability has been defined as that ability to perform at the level required for success. Organizations resources and core competences underpins its capacity. The core competences provide the competitive advantage. Developing the core competences dictates that CSFs are well understood. To address the CSFs, organizations must meet the core competences that underpin the organizations ability to outperform competition (Johnson and Scholes, 2002). This places CSFs, at the heart of strategy where strategy is seen from both 'fit and stretch' perspectives. Strategic fit is developing strategies by identifying opportunities in the business environment and adapting resources and competences so as to take advantage of these opportunities while strategic stretch is the leverage of the resources and competences of an organization to provide competitive advantage and yield new opportunities.

1.1.2 Banking industry in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for

formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and also addresses issues affecting its members.

There are forty-four banks and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus. Thirty-five of the banks, most of which are small to medium sized, are locally-owned. The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally-owned. Six of the major banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA) which serves as a lobby for the banks' interests and also addresses issues affecting member institutions. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking. Kenya's banking industry goes back to 1896 when the national bank of India opened a branch in this East African country. Most certainly Kenya's banking sector has improved tremendously over last 10 years, not just in size and profitability but also in terms of product offerings and service quality.

The most important observation though is that Kenyan banks are more stable today than they were 10 years ago. While many of the banks collapsed in the late 90s were as a result of poor management of credit risks, recent bank closure that is Charter House Bank of Kenya was more of an operational issue. The Central Bank of Kenya deserves credit for improvement in the regulatory processes that have resulted in Kenyans having more faith in their banks, even the smaller banks that have been victims of closures. Total assets in the banking sector have grown from Ksh 328b in 1997 to 746b, in 2007 a 132% increase, Central Bank of Kenya (2007), Central Bank of Kenya Annual report 2007. Similarly, profitability has grown from Ksh15 billion in 1997 to Ksh to 27b in 2007. But the key question is; How has this growth been reflected in the overall development of the country, socially, economically and politically. Socially, the incidence of poverty is still as bad as it was 10 years ago. More than 50% of Kenyans are poor.

The banking sector has played a key role in financing agriculture, the main stay of Kenyan of Kenyans economy with the highest reach to the Kenyan poor. The banking sector there is a great emergence of some micro finance institutions like K-rep bank, Equity Bank and Family Bank, targeting the small trader and rural small scale farmers. That these banks have grown tremendously compared to their peers over the period they have been in existence has put paid to the previous perception among Kenyan Banks that there was no business in the lower retail segment of the market. Indeed the ensuing competition in the entire industry is testament to this fact. Banks are also now specifically targeting women, have special accounts for them and some are even planning to open specific branches for them. My expectation is that in the next 10 years, we should be able to see a reduction in poverty levels if all these efforts together with government own efforts bear fruits.

The rapid transformation in the banking industry over the last decade have made the industry stronger, cleaner, transparent, efficient, faster, disciplined and a lot more competitive. But what we have achieved so far may be only a prelude to the greater things to come. However, while a few banks have established a good record in terms of innovation, growth and value creation, most others are yet to make much headway. The cost of banking intermediation and extent of banking penetration is still lower than other markets. If the banking sector is to support the economy significantly then it has to considerably strengthen itself and adapt to the eve revolving environment in which it operates. Banking sectors that has failed to respond to changing market realities have historically been a hurdle to the development of the financial sector in many developing countries. In Kenya, while bank lending has been a significant driver of GDP growth, periodical systemic failures have significantly affected the stability of the system.

A successful Bank will have to first meet and address several challenges that the industry currently faces. It will have to be nimble and agile enough to respond to a market that is seeing growth driven primarily by new products and services. This includes opportunities in the retail front such as credit cards, consumer finance, wealth management and private banking and on the whole sale banking front through, fee based income, investment banking and advisory services. This will call for a completely new skills set both in terms of new knowledge as well as ability in marketing, areas where the traditional banker have

much way to go. With the booming economy and swelling middle class, the retail banking has been growing explosively over the last 5 years. The trend will continue in future with even foreign banks returning to this area with their ambitious plans. Also there is huge potential at the bottom of the pyramid for bringing in the large amount of cash used by villagers into the banking system. It calls for some outside the box thinking and cost effective solutions. Sooner, banks may rediscover the rural potential for mobilizing low cost deposits using their e-banking channels cost effectively.

1.2 The Research Problem

In a competitive market place understanding critical success factors has become a very important issue. As a result, banks have moved from product centric to critical success factors to achieve their strategic objectives. Nowadays, many banks realize that it is more difficult to make their physical products differ from those of their competitors than before. Therefore, most of them turn to seek differentiation in services by use of critical success factors. In this way, banks seek more competitive advantages in building on critical success factors for superior performance like of time delivery, better trained personnel, management , human resources, equipment or facilities, cost of production and operations, prices or rates, product quality, service quality, customer care, volume of operations or sales, image or reputation, marketing effectiveness, finance, technology, research and development, location and processes or systems.

Perhaps a still greater challenge will be the increased demand for enhanced capabilities that is demanded of banks by the increasingly demanding customers, who are now more informed, more aware and more aspiring. Shifts in the demographics, change in the age profile of the of new customers, rapidly increasing household income and consequently higher disposable income, and a preference to avail quality services all demand superior institutional capabilities, varied and updated skill sets, knowledge management abilities and excellent service levels. Meeting this demand will be the key to success in the market.

A world class support infrastructure is an essential pre-requisite for an efficient and robust payment system, effective and strong assets reconstruction companies, credit bureaus, besides backoffice utilities so as to free the Banks and help them focus on core activities. While significant steps are being taken in many of these areas much more needs to be

done. Developments of payment systems over the internet and even the ever ubiquitous mobile phones have great potential for the future in extending convenience and reducing cost of transactions. Information is lifeblood for banks. Generating and disseminating information and knowledge to the employees across the bank can dramatically improve their performance especially in customer service and decision making. In the ever changing environment of banking domain, it is a challenging task to re-skill the staff and re-orient them to use ever more information for decision making. However, a suitable knowledge management framework with appropriate online educational initiatives can continuously update and equip the employees across the organization extremely cost effectively too.

A good number of studies have been done on various aspects in the banking sector in Kenya. Murigi (2003) is a study on customer satisfaction through end to end service management strategy. It looks at the application of value chain in service delivery in large local commercial banks. Musa (2004) is a study on responses of commercial banks to changes in the operational environment. It was a case study on the National Bank of Kenya with emphasis on how the bank has tried to enhance customer satisfaction in order to regain competitiveness. Of the studies that have been done none of them seem to recognize the importance of critical success factors in strategic management in the banking industry in Kenya thus creating a knowledge gap.

On the same lines even though critical success factors are important in strategic management, this area has not attracted many researchers and the aim of the present work seeks to gain insight on the Critical success factors and their impact on strategy in the banking sector. With the research gap and the continuous changing environment in which commercial banks are operating in Kenya, one question that warrants the need to research into the CSFs and strategy does arise: “Do commercial banks in Kenya leverage critical success factors in their strategy”.

1.3 The research objectives

The following are the two objectives that this research aims to achieve:

- I. To identify the critical success factors in the banking sector in Kenya.
- II. Establish whether banks in Kenya leverage their strategy on industry critical success factors.

1.4 Justification of the study

This study will shade light on how commercial banks may use critical success factors in their strategies in Kenya. This study will be of relevance to the following:

The study will aid managers of various institutions in determining the various critical success factors. Particularly, managers will gain important insights in establishing the critical success factors that contribute to organizational success.

Policy makers will obtain knowledge of the critical success factors adopted by the banking industry in Kenya. They will therefore obtain guidance from the study in designing appropriate policies that will regulate the banking industry.

Researchers, the will form basis for and stimulate researchers in order to develop a better understanding of critical success factors and how to use critical success factors to remain competitive in the market. This will expand their knowledge on critical success factors in the banking industry and identify areas of further study.

CHAPTER TWO: LITURATURE REVIEW

2.1 Concept of Strategy

Strategy is the match between an organization resources and skills and the environmental opportunities it wishes to accomplish. It is important to provide guidance and direction for the activities of the organization. Johnson & Scholes (1999) define strategy as the direction and scope of an organization over the long term; which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the need of markets and fulfill stockholder's expectations. It is the process by which managers set an organization's long term course, develop plans in the light of internal and external circumstances, and undertake appropriate action to reach those goals. The "Action" referred to here are the strategies employed in meeting a firms short and long term objectives.

Strategic management is the set of decisions and actions that results in the formulation and implementation of plans to achieve a company's objectives (Pearce and Robinson 1997). Organizations, whether profit or non profit, private or public have found it necessary in the recent years to engage in strategic management in order to achieve corporate goals. They are required to think strategic as never before, need to translate their insight into effective strategies to cope with their changed circumstances, and lastly to develop rationale necessary to lay ground work for adopting and implementing strategies in this ever changing environment. Johnson & Scholes (2002), observes that understanding the strategic position of an organization and considering the strategic choices upon to it is of little value unless the managers or management wish to follow can be turned into organizational action.

In the process of employing strategic management, Pearson and Robinson (2000) recommend three critical ingredients for the success of strategy; the strategy must be consistent with conditions in the competitive environment, it must take advantage of existing or projected opportunities and it must minimize the impact of major threats and it must place realistic requirements of the firm's resources. Strategic management is a managerial approach whose basic concern is the future of the firm and how the firm anticipates this future. To deal effectively with the changes in external environment, firms

need to design strategic management processes, which they feel will facilitate the optimal positioning of the firm in the competitive environment. Essentially, it means taking critical evaluations of up to date techniques of strategic analysis, procedures for tailoring the techniques of the needs of their firms and series of step by step problem solving procedures (Ansoff and McDonnell, 1990).

There is need for firm's top management to think beyond the current operations so as to develop strategic input which, they argued, shapes the organizations future strategy and development, stretching it beyond its past and present achievements. Ansoff and McDonnell (1990) define strategic management as a systematic approach to a major and increasingly important responsibility of general management to position and relate the firm to its environment in a way that will assure its continued success and make it sure from surprises. Thompson and Strickland (2003) observe that strategic management is an ongoing never ending process, not a start-stop-event that once done can safely be put aside. As such managers have an ever present responsibility for detecting when new developments require a strategic response and when they don't.

Johnson and Scholes (2002) notes that the scope of strategic management is greater than that one area of operational management. Strategic management, they say, is concerned with complexity arising out of ambiguous and non routine situations within an organization –wise rather than operation specific implication. Strategic management is congruent with the quality movement's emphasis on continuous improvement. The emphasis on anticipating the needs of stakeholders is a critical component of external analysis and organizations that adopt a total quality management philosophy will be better prepared to meet the challenge of competing in the global economic market place. Each organization's experience with strategic management is unique, reflecting the organizations distinct culture, environment, resources, structure management style, and organizational features.

2.2 Critical Success Factors

CSFs have been defined in several ways depending on the purpose for which they were used. For the purpose of this paper, Rockart's (1979) definition will be used. He defines CSFs as "the limited number of areas in which results, if they are satisfactory, will ensure

successful competitive performance for the organisation". The CSF approach represents an accepted top-down methodology for corporate strategic planning, and while it identifies few success factors, it can highlight the key information requirements of top management (Rockart, 1979). In addition, if the critical success factors are identified and controllable, management can take certain steps to improve its potential for success. This technique has been widely used in many business and technology related contexts for over four decades and its use is still common. In the context of this research, CSFs theory will be used to pinpoint some areas that are critical for success of the banking industry in Kenya.

In literature, several definitions of CSF exist. Representing one of the most frequently cited definitions, Rockart (1979) defines CSF as "the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization" (p. 85). Consequently, Rockart (1979) stresses, that these particular areas of activity should be constantly and carefully managed by a company. In a similar fashion, CSF are "those characteristics, conditions or variables that, when properly sustained, maintained, or managed, can have a significant impact on the success of a firm competing in particular industry". CSF are factors which, if addressed, significantly improve project implementation chances. Within the field of strategic management, the definition of Key Success Factors (KSF) is closely related to the CSF concept. KSF is defined as a qualification or resource that a company can invest in, which in turn, accounts for a significant part of the observable differences in perceived value and/or relative costs in the companies' relevant markets. In literature, the terms CSF and KSF are often alternately used.

2.3 The Origin of critical success factors.

Research on CSF can be traced back to 1961, where Daniel (1961) first discussed "success factors" in management literature. In a broad approach, he focused on industry-related CSF which are relevant for any company in a particular industry. In 1972, Anthony et al. (1972) went a step further by emphasizing the need to tailor CSF to both a company's particular strategic objectives and its particular managers. Here, management planning and control systems are responsible for reporting those CSF that are perceived by the managers as relevant for a particular job and industry.

The reasons for such a constellation are differences in geographic location and strategies among other factors. Nevertheless, Rockart was also able to identify analogies between the CSF lists of the three examined organizations: "It is noticeable that the first four factors on the mature clinic's list also appear on the other two lists. (...) These, it can be suggested, are the all-encompassing industry-based factors. The remaining considerations, which are particular to one or the other of the practices but not to all, are generated by differences in environmental situation, temporal factors, geographic location, or strategic situation." (Rockart, 1979, p. 87). In line with his initial study, Rockart (1982) gathered data in regard to IS executives. This data indicated that executives share a limited number of CSF. Each executive (...) lists some, but not all, of the CSF gathered from the sample as a whole. (190). The remaining differences were linked to organizational aspects as well as the time pressure facing the particular manager at the time the data was collected (Rockart, 1982).

Furthermore, Rockart (1979) stressed that his approach did not attempt to address information needs related to the field of strategic planning. Instead, his CSF approach concentrates on information needs for management control and seeks to identify data which can be used to monitor and improve existing areas of business. In this context, Rockart (1979) follows a categorization of management activities into operational control, management control and strategic planning. However, it must be emphasized that Rockart (1979) limited his approach to management control which is defined "the process of ensuring that resources are obtained and used effectively toward the attainment of corporate goals". Today, Rockart's (1979) CSF approach is particularly relevant within the limits of project management and IS implementation and therefore often used by IS executives.

2.4 Competitive advantage

Competition is at the core success or failure of firms. Competition determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture, or good implementation. Competitive strategy is the search for a favorable competitive positioning in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter 1998) A good competitive strategy leads to a competitive advantage.

The fundamental basis of long run success of a firm is the achievement and maintenance of a sustainable Competitive Advantage, (Varadarajan and Jayachandran, 1999). The actual term Sustainable Competitive Advantage emerged in 1985 when Michael Porter discussed the basic types of competitive strategies firms can possess such as low-cost strategy to achieve Sustainable Competitive Advantage. A firm is said to have a sustained competitive advantage when it is implementing a value creating activity not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (Barney 1991). It is achieved by continuously developing existing and creating new resources and capabilities in response to changing market conditions.

Coyne (1986) proposes that in order to possess an Sustainable Competitive Advantage, consumers must perceive some difference between a firm's product offering and the competitors offering. This difference must be due to some resource capability that the firm possesses and competitors do not possess. Also, this difference must be some product / delivery attributes that is a positive key-buying criterion for the market (Coyne 1986).

Barney (1991) came up with this formal definition, ' that a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when other firms are unable duplicate the benefits of this strategy. Based on both Barney's work and definitions given by other authors mentioned earlier, the following formal conceptual definition is offered. Sustainable Competitive Advantage is a prolonged benefit of implementing some unique value creating strategy not simultaneously being implemented by any other competitor. In today's business world of hyper competition and globalization, firms strive to attain Sustainable Competitive Advantage through whatever means in order to survive. The banking sector is not an exemption.

2.4.1 Technology

In the categorization of services in technology based service delivery options there are a number of relevant classifications that will apply to industries employing technology based service delivery. The classification analysis “who” delivers the service. That is person to person; where the employee’s uses technology or consumer to technology such as the use of an ATM, the other categorization looks at the contact the customer has with the service operation, either direct or indirect such as in the case of telephone banking.

When the customer is in direct contact with the technology there is a greater control such as with internet banking. However, if there is an absence of direct contact, such as with telephone banking (since the technology itself is not visible to customers who are able only to press number on their telephone keypad. It is assumed that there is less control perceived by the customer during this transaction. When a customer freely chooses to use technology as a form of service delivery the impact is high in terms of quality attributes. Some of the quality attributes that are highly important to customers are efficiency and special.

Customers are thought to have a positive perception of technology based service attributes since they believe technology will deliver a faster and more efficiently service than that of the employee. Reliability and user friendliness are important attributes in the evaluation of technology based services. This also raises the design of sufficient menu options for ATMS /telephone and internet bankers. In most cases the transaction occurs in a neutral location and the availability of an employee may not always be feasible since these facilities often operate 24 hours a day seven days a week.

Information technology has had a great impact on the banking industry in Kenya. Service delivery to customers, internal operations at the banks, product and marketing strategies are dependent on it. Banks have sought to improve the efficiency and effectiveness of its staff by implementing information technology based service delivery systems. As a result banks have embarked on enhancing the processes and policies by embracing modern technology such as the introduction of ATM internet banking, mobile phone banking. Banks have also put mechanisms to ensure the systems are continuously upgraded to enhance revenue collection and guard against frauds.

2.4.2 [✓] Human Resources

Human assets are a major critical success factor in the banking industry. Human assets are the core of any organization as they create an organizations product and offers service. Sustainability of human intellectual capital requires an organization to recruit the best and maintain them at competitive levels of productivity. Lynch (2003) sees this as a particularly important area which transcends all activities in organizations. It is concerned with those activities involved in recruiting managing, training, developing and rewarding people within the organization.

Human resources determine whether an organization is rigid or innovative. Firms can use the intellectual capital to survive in business by optimally utilizing what they know is profitable. An organization needs to have adequate human resources who are highly trained. Human resources is a critical success factor and if continuously improved in terms of quality and quantity can improve organizations profitability tremendously. Placing the right people on the right job is important and instilling the spirit of customer focus can ensure survival in the banking industry.

Banks need to promote a culture of learning and development of its employees to open up employees minds for new ideas and growth of knowledge. Human resource provide leadership required for effective implementation of strategy, as this will ensure that the organization is united and directed towards achievement of its goals (Pearce & Robinson, 1988). Leadership is considered to be one of the most important elements affecting organization performance. Human resources in leadership of an organization provide vision, initiative, motivation and inspiration. As much as possible, the leadership of the organization should fill relevant positions with qualified people committed to the change efforts (Campell et al.2004).

[✓] 2.4.3 Service Quality

Service quality has been receiving much prominence because of its obvious relationship to costs .The banking industry has started focusing on ascertaining the customer perceptions of service quality and subsequently devising strategies to deliver quality to the customer. Banks have acknowledged the significance of developing worthy associations with customers. To remain competitive, banking service providers are increasingly focusing on

service quality. Despite the absence of a tangible product, the banking service providers must make commercial decisions in regard to profit margins, targeted market segment, market share, the volume of service delivered and the quality of the service to be provided. The existence of competition generates choice for customers and potentially orders the quality of service delivery through market pressures.

√ 2.4.4 Marketing

The marketing of financial services is a unique and highly specialized branch of marketing. The practice of advertising, promoting, and selling financial products and services is in many ways far more complex than the selling of consumer packaged goods, automobiles, electronics, or other forms of goods or services. The environment in which financial services are marketed is becoming more competitive, making the task of marketing financial services increasingly challenging and specialized. Financial services marketers are challenged every day by the unique characteristics of the products they market. For example, often financial services cannot be visually communicated in advertisements as easily as consumer goods can. Furthermore, the relatively unexciting nature of financial services makes the task of attracting consumer attention and inspiring consumer desire a difficult one. There are many predictable behaviors that consumers often exhibit in their dealings with financial services providers. The predictability of these behaviors and the abundance of data on existing and potential customers enable a uniquely scientific approach to developing and executing successful strategies for the marketing of financial services much more than in other markets. The firm should constantly inform, persuade and remind the customers on the products available. Informing is educating and customers want to buy known brands (Mc Carthy and Perreault. 1993).

2.4.5 Pricing

This is one of the most important decisions in the marketing of financial services. Price serves multiple roles for the financial services organization as well as for the individuals who use those services. To the financial services organization, price represents the sole source of revenues. Most activities that an organization undertakes represent costs and an outflow of funds. When advertising, for example, one has to spend money purchasing advertising space in a newspaper or media time on radio or TV. When employing staff in a sales department salaries and benefits need to be paid. All of these activities represent an

outflow of funds, and the only way to recover these expenditures is through revenues obtained by charging prices for the financial services provided. It is critical not only to appreciate the importance of price, but also to be certain that one's prices are at optimal levels. Pricing too low or too high can have detrimental effects on profitability of financial services organizations.

In addition, price is the most visible component of the marketing strategy of a financial services organization. Unlike advertising style, product strategy, or sales force incentives, which might be difficult to quantify precisely, price is always presented numerically, and can be observed and compared by consumers, regulators, and competitors. Therefore, a second function of price is to communicate to the marketplace the identity, market positioning, and intentions of a financial services organization. Lowering of prices or an upward movement of premiums might signal a shift in marketing strategy to competitors and may provoke reactions from them. This fact raises the strategic importance of price and highlights the great impact that price has been found to have in shifting the balance of power among competing financial services providers.

A third function of price is to serve as a signal of quality to customers. As mentioned in earlier, the quality of a financial service may be highly elusive and vague. It has been well established in consumer research that in such situations where quality is not clearly evident, consumers tend to rely on price as a proxy for quality. They might therefore assume that higher-priced financial services are of better quality, and the lowering of prices may not necessarily be associated with more positive consumer impressions of the financial service. The potential for this unexpected relationship between price and consumer demand in specific markets further highlights the critical importance of setting prices correctly in financial services. The general approach to pricing can be visualized as a process of determining where on a continuous line one chooses to set the price charged to customers. Therefore, the relative position of one's prices versus those of key competitors might become the primary focus. To take away market share from a leading competitor, one may have to price below or at comparable levels to the competitor's price.

✓ 2.4.6 Service distribution

Basically concerns itself with geographical positioning of the services facilities. Its importance depends on the nature of the service. For most banking services location is very important and the wrong location may spell death for the banks. The decision of location is determined by flexibility of consumption and flexibility of production. Flexibility of consumption refers to the ease with which consumers can move or travel long distances to receive the service. If consumption is highly flexible the location may not matter much. Flexibility/ inflexibility of consumption may be affected by factors such as age of the customer, consumption pattern. Secondly flexibility of production refers to the ease with which service facilities can be moved to serve customers wherever they are. Where production is inflexible then the customer must go to the facility. This has implications on pricing and timing.

✓ 2.4.7 Research and development

To sustainably continue being innovative, it is imperative that commercial banks, encompass scientific methods to solve and develop new products to remain relevant, competent and operate sustainably. There are varied reasons why commercial banks explore research and development, the key reason being, for banks to do research is to exploit a business opportunity in order to increase sales and profits. Other reasons include, extending a products life cycle, getting closer to resources and markets, exploring economies of scale, increasing market share, and reaction to competition to mention a few.

Customers are now enlightened and becoming aware of their rights. As a result the customers are becoming sophisticated and complex. The customers are now looking for convenience in their banking activities. They want to pay for value of the service in terms of efficiency and effectiveness of the services. Banking from many locations, extended banking hours, ease of accessing their transaction statements. Flexible credit facilities and pay options (credit and debit card facility). Commercial banks have to keep on doing market intelligence and come up with new products and services through research and development.

2.4.8 Finance

The last of the areas is financial management, for which critical factors are used. Finance usually attempts to maximize the financial value of the firm, (Robinson, 1997). Unit revenue and unit cost are important by themselves, but their relationship is also important. Therefore, we have compared both unit revenue and unit cost as well as the unit margins among the products / customers. In addition to unit revenues and unit costs, funding for growth is an important factor for an organization's long-term success. Most successful organizations choose to grow over time. In the case of the banks, growth is measured in terms of profit growth. Furthermore, in order to grow, a bank needs adequate funds. To be attractive for most equity investors, a bank must grow its equity over time. Moreover, to be attractive to most debt investors, a reasonable debt-to-assets ratio is desirable. In this realm of funding, this study is less precise. However, in light of this study's prior research, the measures in this case appear to indicate the likelihood of enduring success for the banks.

The banks objectives cannot be met without the funds to invest in expanding the branch network and internal processes. Finance provides the commercial banks with appropriate structure and fund to achieve the overall objectives. In addition it examines the financial implications of corporate and business level strategic options and identifies the best financial course of action.. It can also provide competitive advantage through a lower costs of funds and flexible ability to raise capital to support a business strategy.

2.5 Critical success factors and the role they relate to strategy

The Critical Success Factor (CSF) approach has the conceptual antecedents from the “success factors” (Daniel, 1961). He argued that a company’s information system must be discriminative and selective, focusing on ‘success factors’, which in turn, must be tied to goals of the organization and form the basis of management control. Rockart (1979) defines critical success factors (CSFs) as those few key areas of activity in which favorable results are absolutely necessary for successful competitive performance for an organization. He introduced the concept of different CSFs based on structural, strategic, environmental, temporal/operational requirements of various companies/industries and different levels and positions of the management, and need for binding to performance indicators.

The CSFs are those few key areas of activity which must be performed particularly well in order for the organization to outperform its competitors . For obvious reasons, critical success factors are the key areas of activity where “things must go right” that must receive due attention from management. Critical success factors are skills, tasks, or behaviors that influence performance. Performing critical success factors satisfactorily ensures successful competitive performance.

It has been suggested that the association between potential CSFs and performance measures be assessed. This assessment may entail correlating CSFs with relevant measures of success or, alternatively, comparing CSFs across winning versus losing competitors. A considerable stream of research has focused on CSFs at the industry and organizational levels. According to Rockart (1979), the following benefits exist for managers when applying the CSF approach; the process helps the manager to determine those factors on which he or she should focus management attention. It also helps to ensure that those significant factors will receive careful and continuous management scrutiny, the process forces the manager to develop good measures for those factors and to seek reports on each of the measures, the identification of CSF allows a clear definition of the amount of information that must be collected by the organization and limits the costly collection of more data than necessary, the identification of CSF moves an organization away from the trap of building its reporting and information system primarily around data that are “easy to collect”. Rather, it focuses attention to those data that might otherwise not

be collected but are significant for the success of the particular management level involved and the process acknowledges that some factors are temporal and that CSF are manager specific. This suggests that the IS should be in constant flux with the new reports being developed as needed to accommodate changes in the organization's strategy, environment or organization structure. Rather than changes in an IS being looked on as an indication of "inadequate design", they must be viewed as an inevitable and productive part of IS development."

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

The research used descriptive survey because data was collected from all the commercial banks since a comprehensive understanding of what was perceived as critical success factors in the banking industry was required. The survey was aimed at determining what the critical success factors are in the banking industry in Kenya and whether banks in Kenya leverage their strategy on industry critical success factors.

3.2 Population

The target population consisted of all licensed commercial banks operating in Kenya that are not under statutory management of the CBK. Commercial banks under statutory management were excluded because they do not carry out their operations normally. The research used a census survey. A census survey is a count of all the elements in a population. This design was appropriate because the population was small and therefore afforded the basis for a more comprehensive exploration of the research question. This information was obtained from the Central Bank of Kenya (2007), Central Bank of Kenya Annual report 2007. The population covered 44 commercial banks listed on appendix 1.

3.3 Data collection

The research used primary sources of data since the objective was to get the perception of commercial banks on critical success factor and strategy. The primary data was collected by drop and pick method using a questionnaire. The questionnaires were divided into two sections with the first section seeking background information of the respondents and the second section capturing to area of study. The questionnaires were distributed to the Senior executive officer involved in strategic management in each commercial bank. To improve on response follow up through phone calls was carried out. Cooper and Emory (1995) cites this approach as a way of improving on the response rates which can be as high as 70% (response rate in the study was 65%).

3.4 Data analysis

On receiving back the questionnaires from the respondents, the data was thoroughly checked to ensure completeness, consistency, accuracy and uniformity. The data was coded and tabulated to facilitate data analysis. Descriptive statistics have been used to transform obtained data from the banks into standard form for relative comparison. Descriptive statistics was used because the study covered the entire population by a way of census study.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter contains the analysis and findings of the research study. The objectives of the were to establish what are the critical success factors in the banking industry in Kenya and to determine whether commercial banks leverage their strategy on the industry critical success factors. Out of the 44 questionnaires dispatched, 28 were duly filled and returned representing a response rate of 64%. All responses were coded, frequencies and percentages used to present the findings. These findings were discussed in detail, giving the researcher opinion and discussion on the findings with a view of understanding the subject matter.

4.2 General information – respondents

For purposes of mapping out a profile of the banks participating in the study, the respondents were requested to provide information on the age, gender, ownership and the number of years in the current position.

4.2.1 Respondents profile by gender

The results in table below indicate that 79% of the respondents interviewed were male while 21% were females.

Table 4.2.1 Respondents profile by gender

Gender	Frequency	Percentage
Male	22	79%
Female	6	21%
Total	28	100%

Source; Survey data (2008)

4.2.2 Age summary of the respondents

Regarding age the respondents were distributed as follows, 0%, 7%, 61% and 32% under the following age brackets, 30 Years and below, 31 – 41 Years, 41 – 50 Years and 51 Years and above respectively.

Table 4.2.2 Respondents profile by age

Age (in years)	Frequency	Percentage
30 Years and below	0	0%
31 – 41 Years	2	7%
41 – 50 Years	17	61%
51 Years and above	9	32%
Total	28	100%

Source; Survey data (2008)

4.2.3 Bank ownership

The majority of banks involved in this industry were privately owned. This indicates that a lot of the banking activity is controlled by private sector. Private banks tend to be more innovative and adaptable to strategic management.

Table 4.2.3 Bank ownership

Ownership	Frequency	Percentage
Foreign	5	19%
State / Public	3	11%
Private	20	71%
Total	28	100%

Source; Survey data (2008)

4.2.4 Summary of respondents experience in terms of number of years worked in the area of strategic management.

68% of the respondents have worked for 5 – 15 years. This is the age bracket with the knowledge, experience and energetic staff.

Table 4.2.4: Respondents experience in terms of number of years worked in the area of strategic management.

No of years worked in department	Frequency	Percentage
Less than 1 year	0	0%
1 – 5 Years	3	11%
5 – 15 Years	19	68%
More than 15 Years	6	21%
Total	28	100%

Source; Survey data (2008)

4.3 Critical success factors perceived to be important

The first objective for this study was to establish what banks perceive as critical success factors in their operations. A list of the critical success factors was presented to the respondents for evaluation on the importance of each factor. Frequencies and mean scores were calculated to determine how critical is. The higher the frequency or mean score the more important the critical the factor is to the bank.

4.3.1 Importance of technology

The results in Table 4.3.1 indicate that a mean of 0.5 respondents interviewed perceived technology as important in influencing customers to buy from them. This is because technology has made banking services accessibility better and better.

Table 4.3.1 Importance of technology

Scale	Frequency	Mean score
Not Important at all	0	0
A little Important	0	0
Moderately Important	3	0.11
Very Important	10	0.36
Extremely important	15	0.53
Total	28	1

Source; Survey data (2008)

4.3.2 Importance of human resources

From the results in table 4.3.2 a mean of 0.64 of the respondents interviewed indicated that the employees determine the decision by customers to buy products from them. This is because these services are offered by people and the impressions they give to the customers determine whether to buy or not.

Table 4.3.2 Importance of human resources

Scale	Frequency	Mean score
Not Important at all	0	0
A little Important	0	0
Moderately Important	1	0.04
Very Important	9	0.32
Extremely important	18	0.64
Total	28	1

Source; Survey data (2008)

4.3.3 Importance of service quality

From table 4.3.3 a mean of 0.86 of the respondents indicated that delivering quality to customers is paramount to a company's well being because it results in more new customers, more business with existing customers, fewer lost customers, more protection from price competition, fewer mistakes requiring the company to redo its goods/services.

Table 4.3.3 Importance of service quality

Scale	Frequency	Mean score
Not Important at all	0	0
A little Important	1	0.03
Moderately Important	0	0
Very Important	3	0.11
Extremely important	24	0.86
Total	28	1

Source; Survey data (2008)

4.3.4 Importance of marketing

Results in table 4.3.4 indicate that a mean score of 0.43 of the respondents perceived marketing as the means to make communication about a product or service with a purpose of encouraging recipients of the communication to purchase or use the product or service.

Table 4.3.4 Importance of marketing

Scale	Frequency	Mean score
Not Important at all	1	0.04
A little Important	3	0.11
Moderately Important	4	0.14
Very Important	8	0.28
Extremely important	12	0.43
Total	28	1

Source; Survey data (2008)

4.3.5 Importance of pricing

From table 4.3.5 a mean of 0.54 of the respondents interviewed felt that pricing was important to achieve maximum profitability from each customer over the longer term. low introductory pricing and higher subsequent pricing may reflect growing level of benefits to customer and/or high switching costs.

Table 4.3.5 Importance of pricing

Scale	Frequency	Mean score
Not Important at all	0	0
A little Important	3	0.11
Moderately Important	2	0.07
Very Important	8	0.28
Extremely important	15	0.54
Total	28	1

Source; Survey data (2008)

4.3.6 Importance of service distribution

Table 4.3.6 indicates that a mean score of 0.78 of the respondents interviewed believe that service distribution is important as this has changed the habit of using services of the bank by customers and brings convenience to them.

Table 4.3.6 Importance of service distribution

Scale	Frequency	Mean score
Not Important at all	0	0
A little Important	0	0
Moderately Important	2	0.07
Very Important	4	0.14
Extremely important	22	0.79
Total	28	1

Source; Survey data (2008)

4.3.7 Importance of research and development

From table 4.3.7 its clear that a mean score of 0.54 of the respondents felt that research and development is an important factor in influencing customers to purchase their products. This is because through research and development banks are able to come up with new products.

Table 4.3.7 Importance of research and development

Scale	Frequency	Mean score
Not Important at all	1	0.04
A little Important	3	0.10
Moderately Important	1	0.04
Very Important	8	0.28
Extremely important	15	0.54
Total	28	1

Source; Survey data (2008)

4.3.8 Importance of finance

The results in table 4.3.8 indicate that a mean of 0.57 of the respondents interviewed perceived finance as important in influencing customers to purchase their products.

Table 4.3.8 Importance of finance

Scale	Frequency	Mean score
Not Important at all	2	0.07
A little Important	0	0
Moderately Important	1	0.04
Very Important	9	0.32
Extremely important	16	0.57
Total	28	1

Source; Survey data (2008)

Conclusion

From the above analysis it is clear that respondents indicated that service quality is a very important factor (mean score of 0.86) in influencing customers to purchase banks products. Customers are willing to pay an extra premium as long as the service quality is good.

4.4 Determining whether commercial banks leverage their strategies on the industry critical success factors.

The second objective for this study was to establish what banks leverage critical success factors in their strategic management. A list of the critical success factors was presented to the respondents for evaluation on to what extent do banks have strategy based on the industry critical success factors. Frequencies and percentages were calculated to determine how critical is. The higher the frequency or percentage the greater the extent the bank has a strategy based on the critical success factor.

4.4.1 Extent to which commercial banks have a strategy based on technology.

According to the results in Table 4.4.1, most (mean score of 0.57) of respondents interviewed indicated that they have a strategy based on technology as a critical success factor. The use of technology in the banks means more time saving, convenience, and easier access.

Table 4.4.1 Extent to which commercial banks have a strategy based on technology.

Scale	Frequency	Percentage
Not at all	0	0
To a little extent	1	0.04
To moderate extent	5	0.18
To a great extent	6	0.21
To a very great extent	16	0.57
Total	28	1

Source; Survey data (2008)

4.4.2 Extent to which commercial banks have a strategy based on human resources.

From the results in table 4.4.2, a mean score of 0.61 of the respondents interviewed indicated that they have a strategy based on human resources as a critical success factor. This is because employees keep customer informed as to when services will be performed, give prompt service to customers and respond promptly to customer requests.

Table 4.4.2 Extent to which commercial banks have a strategy based on human resources.

Scale	Frequency	Percentage
Not at all	1	0.04
To a little extent	1	0.04
To moderate extent	5	0.17
To a great extent	4	0.14
To a very great extent	17	0.61
Total	28	1

Source; Survey data (2008)

4.4.3 Extent to which commercial banks have a strategy based on marketing.

From the results in table 4.4.2, a mean of 0.61 of the respondents interviewed indicated that they have a strategy based on marketing as a critical success factor.

Table 4.4.3 Extent to which commercial banks have a strategy based on marketing.

Scale	Frequency	Mean score
Not at all	1	0.04
To a little extent	4	0.14
To moderate extent	1	0.04
To a great extent	7	0.25
To a very great extent	15	0.53
Total	28	1

Source; Survey data (2008)

4.4.4 Extent to which commercial banks have a strategy based on pricing.

Results in table 4.4.4 indicate that a mean of 0.43 of the respondents perceived that they have a strategy in place based on products pricing.

Table 4.4.4 Extent to which commercial banks have a strategy based on pricing.

Scale	Frequency	Mean score
Not at all	2	0.07
To a little extent	6	0.21
To moderate extent	1	0.04
To a great extent	5	0.18
To a very great extent	14	0.50
Total	28	1

Source; Survey data (2008)

4.4.5 Extent to which commercial banks have a strategy based on service distribution.

Most of the respondents, a mean of 0.68 indicated that they have a strategy based on service distribution as a critical success factor.

Table 4.4.5 Extent to which commercial banks have a strategy based on service distribution.

Scale	Frequency	Mean score
Not at all	0	0
To a little extent	0	0
To moderate extent	2	0.07
To a great extent	7	0.25
To a very great extent	19	0.68
Total	28	1

Source; Survey data (2008)

4.4.6 Extent to which commercial banks have a strategy based on research and development.

The results in table 4.4.6 indicate that a mean score of 0.36 of the respondents interviewed have a strategy in place based on research and development as a critical success factor.

Table 4.4.6 Extent to which commercial banks have a strategy based on research and development.

Scale	Frequency	Mean score
Not at all	5	0.18
To a little extent	0	0
To moderate extent	7	0.25
To a great extent	6	0.21
To a very great extent	10	0.36
Total	28	1

Source; Survey data (2008)

4.4.7 Extent to which commercial banks have a strategy based on finance.

From table 4.4.7, a mean of 0.46 score of the respondents indicated that they have a strategy based on finances as a critical success factor of the bank.

Table 4.4.7 Extent to which commercial banks have a strategy based on finance.

Scale	Frequency	Mean score
Not at all	0	0
To a little extent	5	0.18
To moderate extent	1	0.04
To a great extent	13	0.46
To a very great extent	9	0.32
Total	28	1

Source; Survey data (2008)

4.4.8 Extent to which commercial banks have a strategy based on service quality.

According to results in table 4.4.8, a mean score of 0.75 of the respondents indicated that they have a strategy based on service quality.

Table 4.4.8 Extent to which commercial banks have a strategy based on service quality.

Scale	Frequency	Mean score
Not at all	0	0
To a little extent	0	0
To moderate extent	2	0.07
To a great extent	5	0.18
To a very great extent	21	0.75
Total	28	1

Source; Survey data (2008)

Conclusions

The second objective for the study was to establish extent to which banks have strategies based on industry critical success factors. A list of the CSFs was presented to the respondents for evaluation. Frequencies and mean scores were calculated to determine whether banks have strategies based on the industry critical success factors and to rank the factors. From the analysis service quality (a mean of 0.75) and service distribution (a mean of 0.68) are the most CSFs used in strategy development in the banking industry.

From the research we find out that banks use critical success factors in the following strategies, gain market share, increase competitiveness, attract new customers, sustain successful relationships with customers, sustain a customer satisfaction rate, retain staff and keep up customer-focused training, expand product range to attract more customers, extend store space to accommodate new products and customers and secure financing for expansion.

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Summary, discussions and conclusions

This chapter sets to draw conclusions that will seek to address the research objectives as outlined in chapter one. The first objective of this study was to determine the critical success factors perceived important in the banking industry. Factors perceived important by the respondents in the banking industry include, service quality, service distribution and human resources; others include finance, pricing and research and development. However technology and marketing were not considered to be very important. Atika(2007) did a similar study whose objective was to identify CSFs in the minibus dealers in Kenya. The findings of the study (Atika 2000) identified quality, financial image of the company and customer care as some of the key factors that must go right for the business to succeed. Mbugua (2005) did a study whose objective was to identify CSFs in the petroleum product dealers retailing in Nairobi. The findings of the study (Mbugua 2005) identified location, consistent product quality offering as some of the key success factors.

The second objective sought to establish whether commercial banks leverage their strategy on industry critical success factors. Respondents perceived that banks have strategies on a great extent based on service quality, service distribution and human resources. Others include technology and marketing. However finance, research and development and pricing were not seen not to influence strategies formulation in the banking industry.

When asked about the factor of service distribution, the respondents said that service distribution is important factors for banking services. In order to make banks easier reach, the branches network is well designed. A firm may choose to maintain or increase the market share by use of branch distribution. From locally emerging banks and foreign investment banks that are threatening to eat into competitive areas in terms of country wide spread, customer profile and indigenous brand identity. Increased competition also meant commercial banks to re-evaluate expansion plan and offer market led and customer focused products in order to remain profitable and competitive in offering value benefit to its customers.

Despite the challenges and size of an organization sustaining a competitive advantage in a major effort and priority. This is driven by the need and sometimes the pressure to always be at the lead. There are numerous benefits a company gets from having a sustainable competitive advantage. The changed business environment banks are operating in highly competitive environment and therefore needs to maximize on the industry critical success factors in order to survive and remain competitive. The study reveals that all banks have critical success factors in place.

The identification of industry critical success factors is considered important by commercial banks as this has continuously seen the benefits of sustainable competitive advantage. Sustainability of an organizations competitive advantage depends on how well the industry critical success factors have been applied in the strategic management of the firm. The critical success factors must be maintained for a significant amount of time even in the presence of the competition. Sustaining the industry critical success factors needs to be at the core of strategic development. This ensures that a company is not only growing but also getting gave normal profits which is the main aim in business. Banks have continuously seen the benefits of using critical success factor in their strategies. Their services are in high demand and are not able to cope with customers demand. Product uniformity, building a corporate image, cost cutting, branch distribution, human resource management, customer focus are critical success factors being sued by banks to remain competitive.

All commercial banks operate within both external and internal environments. Commercial banks therefore need to align themselves with its environment, by making using critical success factors in their strategies to achieve advantages and easily depend positions in their markets. A firm poses a competitive advantage when it has value creating critical success factors that cannot be duplicated or imitated by other firms commercial banks do this by determining the purpose and the long term objective of the bank. It then adopts critical success factors to achieve desired lead in the industry.

5.2 Limitations of the study

This study had various limitations. Some of the senior officers were too busy to have an interview. Other respondents did not give their responses even after several requests. Due to the nature of information handled by banks some were very sensitive about the information they gave and thus did not give out some of the information they considered confidential. The study focused on the banks perspective. It would have been of value to obtain the views of other stakeholders such as customers and suppliers.

5.3 Suggestions for further research

This study concentrated on use of critical success factors and strategy in the banking industry in Kenya. These findings cannot be generalized because other sectors have different critical success factors they use to gain a sustainable competitive advantage. This is because of firms structures, systems, cultures, processes, leadership, capabilities, resources and objectives. There is therefore a need to do more research in other sectors in order to get a broader view of critical success factors that are used to sustain a competitive advantage.

5.4 Recommendations for Policy and Practice

The findings of this study indicate that the most important factor for banks in influencing customers to buy their products is service quality. Respondents stressed that delivering quality to customers is paramount to a company's well being because it results in more new customers, more business with existing customers, fewer lost customers, more protection from price competition, fewer mistakes requiring the company to redo its goods/services.

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APPENDIX I: INTRODUCTION LETTER

Amos Mutuku Muli
P.O. Box 4660-00100
Nairobi

September 21st 2008

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.....

Dear Sir/madam,

Request for participation in a research study on critical success factors and strategy in the banking industry in Kenya.

Am a final MBA student at the University of Nairobi. My area of specialization is strategic management. I am currently undertaking a research project on “Critical success factors and strategy in the banking industry in Kenya.

I would be grateful if you could spare some time from your busy schedule and complete the enclosed questionnaire. All the information provided will be used purely for academic purposes only and will be treated with utmost confidentiality. A copy of the final report will be made available to you on request.

Incase of any queries or need clarification on any of the questions, please do not hesitate to contact me.

Thank you for your cooperation.

Yours faithfully,

Amos Mutuku Muli
MBA student, University of Nairobi
Mobile: 0722-497074

Dr. Martin Ogutu
Chairman – Business Adm Dep’t

Enc.

QUESTIONNAIRE

This questionnaire seeks to collect information on response by commercial banks to establish what the critical success factors are in the banking sector and whether banks in Kenya leverage their strategy on industry critical success factors. Please provide the information frankly and honestly. All information received will be treated confidentially and used for academic purposes only.

Section 1: Background information

1. Name of Bank _____
2. Name of respondent _____
3. Current position held _____
4. Number of years in current position _____
5. Please indicate your gender, Male [] Female []
6. Please tick the age bracket in which you fall

30 Years and below [<input type="checkbox"/>]	41 – 50 Years [<input type="checkbox"/>]	
31 – 40 Years [<input type="checkbox"/>]	51 Years and above [<input type="checkbox"/>]	
7. State whether your bank is foreign owned, state owned or private _____

Section II: Critical Success factors in the Banking Industry

8. Please indicate the extent to which the following factors are important to you in influencing customers to use your products and services.

Critical Success Factor	Rating				
	Not Important at all 1	A little Important 2	Moderate Important 3	Very Important 4	Extremely important 5
Technology					
Human Resources					
Service quality					
Marketing					
Pricing					
Service distribution					
Research and Development					
Finance					

9. To what extent do you have a strategy related to each of the following,

Critical Success Factor	Rating				
	Not at all 1	To a little extent 2	To moderate extent 3	To a great extent 4	To a very great extent 5
Technology					
Human Resources					
Service quality					
Marketing					
Pricing					
Service distribution					
Research and Development					
Finance					

10. For those critical success factors that you have a related strategy, name the factor and briefly describe the strategy.

Critical Success Factor	Description of Strategy
Technology	
Human Resources	
Service quality	
Marketing	
Pricing	
Service distribution	
Research and Development	
Finance	

Thank you

**APPENDIX II: LIST OF ALL COMMERCIAL BANKS OPERATING IN
KENYA**

1. African Corporation Bank
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CFC Stanbic Bank
7. Chase Bank
8. Citibank
9. City Finance Bank
10. Commercial Bank of Africa
11. Consolidated Bank
12. Co-operative Bank of Kenya
13. Credit Bank
14. Development Bank of Kenya
15. Diamond Trust Bank
16. Dubai Bank
17. Ecobank
18. Equatorial Commercial Bank
19. Equity Bank
20. Family Bank
21. Fidelity Commercial Bank
22. Fina Bank
23. First Community Bank
24. Giro Commercial Bank
25. Guardian Commercial Bank
26. Gulf African Bank
27. Habib A.G. Zurich
28. Habib Bank Ltd
29. HFCK
30. I&M Bank
31. Imperial Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank
40. Prime Capital & Credit
41. Southern Credit Bank
42. Standard Chartered Bank
43. Trans- National Bank
44. Victoria Commercial Bank