STRATEGIES ADOPTED BY MULTINATIONAL COMMERCIAL BANKS TO COPE WITH COMPETITION IN KENYA

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DECLARATION

This research project is my original work and has not been presented for examination or award in any other University.

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

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DEDICATION

I dedicate this project to most of all, to the Almighty God who gives me strength and good health and my family for the support for their great moral and also their enormous encouragement throughout my studies.

ABSTRACT

The challenges of the business environment characterized by fragmented markets, increased competition, rapid technological changes, shifting regulatory frameworks, and a growing dependence on non-price competition have forced many businesses to more closely scrutinize their competitive strategy. Generally, organizations operate within an environment with high competition which influences the firm's strategic process and determines the firm's growth. The available theoretical framework although it tries to give the basis of strategies, it seems not to be in consensus onto which strategies are most appropriate. Game theory and open systems theory hold that the choice of strategy or implementation is highly pre-determined by the choices being used by other firms. Resource Based View Theory on the other hand speculates that the available firms' resources are what determines the strategies a particular firm can be able to adopt and to which extent. The banking sector in particular owing to the fact that it is one of the most competitive industries in the country. The objective of this study was to identify competitive strategies used by multinational commercial banks in Kenya to cope to competition. The study was considered important to the management of multinational corporations whom from the study, they would be able to evaluate which strategies are crucial in gaining competitive advantage. This was capable of enabling them to identify gaps in their strategies which may enhance their strategic response and as a result move to effectively manage the existing strategies which will improve performance. The study was also considered to be important in policy making by financial regulatory organs in government financial regulatory organs in developing and enacting policies which was to ensure sustainable operations of financial institutions in the county. A descriptive survey research design was adopted in conducting the study. The approach was used to obtain data concerning the current status of the phenomena. The target population for this study was all the eighteen multinational banks registered by the Central Bank of Kenya as at July 2015 and the primary data was collected by use of a standard questionnaires. Descriptive statistics such as means and standard deviations were used to analyze the data. The descriptive analysis was useful in giving summaries. The reliability of the items was conducted using Cronbach Alpha test. The study established that Multinational commercial banks in Kenya adopted competitive strategies in form of cost leadership, differentiation and focus strategies to cope to competition. The study concluded that a firm's competitive advantage is not sourced from adoption of one strategy but a combination of many strategies. The study recommends that the banks should carefully evaluate their resources and utilize them to the maximum in gaining of competitive advantage. Finally, replication of the study in different sectors under different circumstances would be welcome to establish the validity and generalizability of the present findings across different sectors and contexts.

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ABBREVIATIONS

CBK	:	Central Bank of Kenya
SPSS	:	Statistical Package of Social Sciences
ANOVA	:	Analysis of Variance
CBK	:	Central Bank of Kenya
R&D	:	Research and Development
RBV	:	Resource Based View

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The competitiveness of the multinationals banks in Kenya has its origin in the strategies they adopt and apply. Generally, firms operate within a dynamic environment whereby they are expected to meet various stakeholders' expectations (Porter, 1985). Hence the need to formulate strategies that could help them meet this need. However, the strategies formulated do not perform as well as expected as evidenced by the stagnated growth of firms despite the availability of strategies (Kumar, 2006). Hence much focus has risen to whether certain strategies are more effective than others in coping competition.

Organizations operate within an environment with high competition which influences the firm's strategic process and determines the firm's growth. The available theoretical framework though it tries to give the basis of strategies, it seems not to be in consensus onto which strategies are most appropriate (Thompson et al., 2007). Game theory and open systems theory hold that the choice of strategy or implementation is highly pre-determined by the choices being used by other firms. Resource Based View Theory on the other hand speculates that the available firms resources are what determines the strategies a particular firm can be able to adopt and to which extent (Gichohi, 2014).

Banking industry in Kenya has been characterized by an aggressive competitive environment with a lot of competitors, which calls for re-adjustment of their strategies often so as to become strategically fit (Mutua, 2013). Due to deregulation, new technology and changing consumer behavior, the competition in the banking sector is getting even fiercer. The intensified competition has resulted in a number of banks launching non-bank financial services and the battle for the customers being also fought through new electronic distribution channels (Ndungu, 2012). In addition, the rise of local commercial banks like Equity bank and non-financial institutions like Safaricom through Mpesa among many local innovations pose a major threat to multinational commercial banks thus the necessities need for the re-evaluation of their competitive strategies.

1.1.1 Concept of Strategy

A strategy is a large-scale, future-oriented plan for interacting with the competitive environment to achieve company objectives. A strategy reflects a company's awareness of how, when and where it should compete; against whom it should compete and for what purpose it should compete (Pearce and Robinson, 2010). Porter (1985) views strategy as what makes the corporate whole and add up to more than same of its business units. He further classifies strategy in two levels that is corporate level strategy and business level strategy. Corporate level strategy defines what kind of business the organization is in and on the other hand, business level strategy explains how to create competitive advantage in each of the business unit in which the organization compete.

Chandler (1962) views strategy as the determination of long run goals and objectives of an enterprise, adoption of courses of action and allocation of resources necessary for carrying out these goals. Strategy is seen as a field of enquiry developed from a practical need to understand reasons for success and failure among organizations. Chandler (1962) also clarifies that strategy is made at the top and executed at the bottom, thus the field's focus is on the top management. Strategy is also a plan, a direction, a guide or course of action into the future and as a pattern, that is, consistency in behavior over time.

Most organizations begin their strategic planning cycle by updating their business objectives in relation to performance reviews in key areas (such as people, standards and business development), achieved results and development priorities (Mintzberg, 1994). The concept of strategy defines the various approaches that top corporate managers use as to be able to achieve a better performance of the set of business in which the organization has diversified to. Therefore the emphasis on the role of key business units manages to influence the strategic decisions. An alternative view of strategy is the interaction of the external environment, the resources and values of the organization (Thompson and Stickland, 2008).

1.1.2 Concept of Competition

As competition for customers get stiff, effective organizations seek to gain a sustainable competitive advantage. Kinicki and Williams (2006) defined competitive advantage as the ability of an organization to produce goods or services more effectively than competitors, therefore outperforming them. It requires companies to stretch and use their resources more effectively and more efficiently. Porter (1985) notes that a business can develop a sustainable competitive advantage by following two strategies: Cost leadership strategy or differentiation strategy. Under cost leadership, Kleiman (2000) argues that firms must provide the same services or products as its competitors, but at a lower cost. Product differentiation on the other hand occurs when a firm produces a product or service that is preferred by the buyer.

Competition is one of the major external environmental threats to any firm. It occurs when two or more firms fight for the same customers. It is therefore necessary for a firm to understand the underlying sources of competitive forces (Porter, 1980). Porter (1980) further noted that competition in an industry is rooted in its underlying economic structures and goes beyond the behavior of current competitors. Ansoff et al. (1990) defined competitive strategy as a distinctive approach that a firm uses to use to succeed in the market. He further explained that formulation of competitive strategy includes consideration of firms' strength and weaknesses, industry opportunities and threats, personal values of key implementers, and broader societal expectations.

Environmental changes such as technology and innovation, competition, globalization, regulation and de-regulation and consumer behavior have affected many organizations in that organizations have been forced to enhance their business processes in order to survive the environment which has become increasingly competitive (Ansoff, 1987). To remain competitive in this dynamic environment therefore, there is need for organizations to leverage their strategy to the ever changing industry critical success factors. These success factors keep on changing hence organizations should continuously review their strategies to accommodate these ever changing critical success factors.

1.1.3 Competitive Strategies

Competitive strategy is the high level strategy used by the firm to realize its business goals, in particular, profitability, in the face of competition. Competitive strategy conventionally refers to how the firm competes at the industry level (Porter, 1980). In rapidly evolving industry and market landscape of high technology, competitive strategy depends on; industry-company level where a firm determines its strategic position, core competencies and strategic action; company level which involves induced strategy and autonomous strategy and intra-company level where internal level autonomous strategy is created (Burgelman, 2002).

Competitive advantage is an advantage gained over competitors through offering to customers, greater value either in low pricing or in provision of additional benefits and services that justify similar or possibly higher prices (Cole, 2008). Dess et al. (1995) argues that a competitive advantage exists when a firm has a product or service that is perceived by its target market customers as better than that of its competitors.

Porter (1985) has outlined the various challenges and forces that firms face from gaining competitive advantage, they include; buyer and seller bargaining power, threats of new substitutes, products and rivalry among products as outlines in his five forces model. He further defines the various strategies and strategic responses that can be used by firms to curb with the various changes within the environment. They include; cost efficiency strategy, product differentiation, focus strategy, avoidance strategy and low cost strategy.

1.1.4 The Relationship between Strategies and Coping with Competition

Organizations world over face numerous challenges in their operations particularly, business environmental and managerial challenges (Mathooko, 2014). Irrespective of the nature of challenge encountered, appropriate response strategies have to be put in place to counter them and enable the organization achieve sustainable competitive advantage. The core reason of any strategy are the actions and moves in the market place that managers are taking to improve the company's financial performance, strengthen its long term competitive position and gain a competitive edge over its rivals (Thompson et al., 2007). This is what comes into perspective during the formulation process of any particular strategy. However not all the strategies are able reach their desired targets and cope competition as well as expected.

Mixed results have been obtained into whether strategies have a direct influence on coping to competitions. Some great firms have been noted to have succeeded without the benefit of an explicitly enunciated strategy (Gichohi, 2014). But yet strategies have been established to produce significantly better financial performance than unplanned, opportunistic, adaptive approach. Additionally, the strategy itself is a source of competitive advantage. Hence Strategy is about ensuring the survival and prosperity of a firm by implementing strategies to fulfil stakeholder expectations in an uncertain future. The firms that engage in strategic planning and have appropriately designed and applied competitive strategies tend to have compete better than those that do not (Jonsson and Devonish, 2009). Organizations competitive strategies that gave it a competitive advantage over its rivals were those it implemented in its physical infrastructure, technology, market research, innovation and manpower development.

1.1.5 Banking Industry in Kenya

The banking industry in Kenya is made up of 43 commercial banks some of which are locally owned and others foreign owned, most of which are multinational corporations (Central Bank of Kenya, 2015). The banking industry in Kenya is governed by the companies Act, the Banking Act, the Central Bank of Kenya Act and various prudential guidelines issued by the Central Bank of Kenya. The banking Act (2004) defines a bank as a company, which carries on or, proposes to carry on, banking business but does not include Central Bank of Kenya. The history of commercial banks in Kenya is long, with predecessors of the three major commercial banks set up before 1920's.

By independence in 1963, Kenya had 10 commercial banks with the 'big three' National and Grind Lays Bank, Barclays Bank and Standard Bank. Three banks were established by the 1970's namely; the Cooperative Bank of Kenya, National Bank of Kenya (NBK) and Kenya Commercial Bank (KCB). The latter took over Grind Lays Bank to become the biggest bank in the country. By 1970's, KCB and NBK accounted for 22% each of all the commercial banks in Kenya (Mutua, 2013). Players the banking sector has experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. The main challenges facing the Banking sector today include; New regulations; For instance, the Finance Act 2008, which took effect on 1 January 2009 requires banks and mortgage firms to build a minimum core capital of KShs 1 billion by December 2012 (CBK, 2015).

The implementation of this requirement poses a challenge to some of the existing banks and they may be forced to merge in order to comply. Global financial crisis experienced in late 2008 is expected to affect the banking industry in Kenya especially in regard to deposits mobilization, reduction in trade volumes and the performance of assets, Others challenges includes declining interest margins (Irungu, 2014). Commercial banks are an important part of the Kenya financial landscape they also offer a wide variety of services. Commercial banks are responsible for adding customer deposits in a safe and liquid form and lending the proceeds to worthy commercial, industrial, governmental and nonprofit institutions. Kenya's commercial banks play a crucial role in ensuring Kenya's economic progress (CBK, 2016).

1.1.6 Multinational Commercial Banks in Kenya

A Multi-National Company (MNC) is any business that has production activities in two or more countries and moves its resources and activities between then in such a way as to maximize its trading advantages in areas like labor costs or taxation benefits (Statt 1999). The dominance of foreign owned banks in Kenya still accounts for a substantial part of the banking system. The division in banking industry is based on ownership and geographical distribution within the region. There are eighteen multinational banks in Kenya. Multinational banks have played a big role in Kenya in terms of creating employment, improving the country's economy, developing the infrastructure and in social responsibility.

Most banks have operated for long in the market. Examples are Bank of India, Barclays Bank and Standard Chartered bank. Over the years their performance has been attributed to effective implementation of strategies. The banking industry plays a significant role in economic development of a country. Over the years, the banking industry has been faced with many challenges while trying to offer services. This has been due to the liberalization of the Kenyan economy. The recent entry of other banks in the market has intensified or increased entrepreneurial capacity of the people in Kenya, as well as, increased economic power of individuals, thereby enhancing the banking market. Increased competition has also resulted in the decline of market share and profitability of banks. The major challenge for the multinational banks is to come up with a strategy that makes them more competitive and attractive in the market.

There have been also several important technological advancements in the industry in recent years in response to environmental changes and in order to enhance efficiency in form of improvement in communication and data processing ranging from computerization of all operations, introduction of Automated Teller Machines

(ATMs), on-line system of communication and banking among others. Such improvements are giving the institutions opportunities to raise productive efficiency. Banks have also introduced new products or changed the product mix to suite their clientele (Mutua, 2013).

1.2 Research Problem

Progressive deregulation, technological advancements and the corresponding integration of international financial markets have markedly increased the intensity of competition in the globalizing banking industry (Goldberg, 2009). With a low potential for further growth in their home markets, many multinational banks (MNBs) originating from mature market economies are forced to enhance their competitiveness by enlarging the geographical scope of their international operations (Focarelli and Pozzolo, 2001). Boseman (1989) indicate that to remain competitive in this dynamic environment therefore, there is need for organizations to leverage their strategy to the ever changing industry critical success factors. These success factors keep on changing hence organizations should continuously review their strategies to accommodate these ever changing critical success factors.

The environment within which commercial banks operate is constantly changing, hence the need to constantly scan the environment to identify opportunities and threats posed by the state of the industry so as to match strategy to industry conditions. Various studies have been conducted both locally and internationally trying to establish the various strategies firms adopt so as to cope with competition. Rosli (2012) did a study on competitive strategies of Malaysian small and medium enterprises. He found out that these firms placed high emphasis on firm management, marketing and human resource and moderate emphasis on innovation strategy. Bierly (2014) observed that pharmaceutical firms in the U.S. that were more resourced tend to be more profitable than firms that were uprising and not well equipped. The study findings concur with those of Pimtong, Hanqin and Hailin (2012) who also established the same in their study.

Irungu (2014) studied the alignment of strategy to industry critical success factors among commercial banks in Kenya and found that commercial banks that aligned strategy to industry critical success factors were able to survive and gain a competitive advantage over other commercial banks. Mutua (2013) studied competitive strategies adopted by national bank of Kenya to cope with environmental changes and established that National Bank had competitive strategies in areas various key areas of operations. Munuve (2010) study investigating response strategies of British American Tobacco to macro environmental changes found out that the firm main strategy was to concentrate on marketing and branding. Muchelule (2010) studied strategic responses adopted by the Kenya Ports Authority to changing external environment and found out that the organization reacted by introducing low-cost but high quality services.

From the reviewed studies, it is clear that literature on the strategies adopted by multinational commercial banks to cope with rising competition remains scanty. This is in spite of the increase in deposit taking microfinance institutions, increased regulation in the banking sector, nonfinancial firms like Safaricom role in banking through Mpesa and other innovative strategies being adopted by local commercial banks. Interestingly, irrespective of these changes, multinational commercial banks remain competitive raising questions on the strategies put in place to ensure they remain relevant. Therefore, this study sought to answer the question; what strategies have been put in place by multinational commercial banks in Kenya to cope with rising competition?

1.3 Research Objectives

The objective of this study was to determine strategies adopted by multinational commercial banks to cope with competition in Kenya.

1.4 Value of the Study

The study findings are of value to various groups who include the management of multinational corporations, policy formulators and academicians. To the management of multinational commercial banks, they will be able to evaluate which strategies are crucial in gaining competitive advantage. This will enable them identify gaps in their strategies which may enhance their strategic response and as a result move to effectively manage the existing strategies which will improve performance.

The study is also important in policy making by financial regulatory organs in government financial regulatory organs in developing and enacting policies which ensure sustainable operations of financial institutions in the county. External and internal environment has a great influence on operations by financial institutions hence the results of the study will act a guide to all stakeholders in the financial sector. The study will be crucial in them formulating sustainable regulations which will ensure soundness in the banking sector.

The study is important to the shareholders of the multinational commercial banks in evaluating the effectiveness of the banks strategies as they cope with the increasingly competitive financial market locally. By identifying the appropriate strategies in coping with competition, the industry will also be able to achieve their objective much faster and growth of the individual firms.

The results of this study have value in the academic field in that it will help in filling existing gaps in literature on strategies adopted by multinational commercial banks in coping up with competition in Kenya. This is fundamental in the academic field as it becomes a valuable repository of knowledge to academic scholars who include students and researchers.

1.5 Organization of the Study

The study is organized in five chapters. Chapter one has discuss the introduction, statement of the problem and what the research entails (objectives, research questions). Chapter two was a review of literature discussing the objectives of the study followed by chapter three which has highlighted the methodology (research design, sampling procedures, data collection and analysis) that was adopted for the study. Chapter four on the data analysis method and concludes by chapter five on the summary of the findings, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews the existing theoretical and empirical literature on strategies adopted by multinational banks to cope to competition. The chapter reviews different theoretical frameworks relating to the study, discussing their proposition and implication to the research variables. It also reviews the competitive strategy practices and the empirical literature with emphasis on the objective of the study, methodology and the results. The chapter finalizes by giving a summary of the literature and an overview of the research gap.

2.2 Theoretical Foundation

The theoretical framework represents the combination of ideas and a frame of references which help the researcher to understand more on a topic of study and if well adopted can be used in implementing of various ideas, policies and strategies (Chen, 1997). This study adopts three theoretical frameworks namely; Game theory, Resource-Based Theory and Open Systems Theory.

2.2.1 Game Theory

Game theory as described by Kotler (1998) acts as a mathematical tool for the decision-maker in firms. The strength of game theory lies in the methodology it provides for structuring and analysing problems of strategic choice. Game theory has shown to be a predominant theory in analysing the types of competitive strategies adopted by organizations (Shapiro, 1989). This theory holds that the firms choose their competitive strategies based on their competitors' strategies. The market is seen as a game whereby each firm is termed as a player and each player’s action influences the actions of the other player either directly or indirectly.

Game theory studies the general principles that explain how people and organizations act in strategic situations (Kotler, 1998). A strategic game represents a situation where two or more participants are faced with choices of actions by which each may gain or lose, depending on what others choose to do or not to do. The participants ought to anticipate the actions of other participants and know how to counter attack them. They also have to come up with new actions which are not in use by the others in order to gain an advantage. Game theory is highly beneficial in uncertain circumstances where the firm has to predict the actions of the other participants. The final market situation is determined jointly by the strategies chosen by all participants.

Grant (1998) however argues that the reason game theory came into focus was as a result of critic of Porter's five force model that failed to work. Whichever the case, game theory can be used as a framework in designing the type of strategies adopted by organizations. Thus the theory's proposition to this study is that the multinational commercial banks’ choice of the strategies to implement is mainly influenced by the strategies that are already pre-existing by other banks. The multinational commercial banks therefore ought to not only analyse the competitive strategies adopted by other banks but also know how to counter attack these strategies. Additionally they have to be able to formulate even better strategies in order to gain competitive advantage.

2.2.2 Resource Based View Theory

Resource based theory was proposed by Wernefelt (1984).This theory as described by Hitt (1995) holds that the firm's resources are a major determinant of the firm's functioning. The theory holds that the managers choose on which practices to perform and how to conduct them based on the available resources. The firm's resources can therefore be termed as a source of the firm's organizational strategy and competitive advantage. A company’s resources generally comprise physical, financial, human and intellectual capital (Johnson et al, 2008). A firm is more likely to formulate better strategies if the firm has adequate resources. This is because the strategies won’t be limited by the available resources. The firm also has to have a perfect knowledge of its available resources and how to effectively use them.

When the competencies of resources is well developed, it will be a source of competitive advantage (Thompson et. al, 2007). Similarly Hamel and Prahalad (1994) agree the same indicating that the distinctive competences of a firm must have customer value, extendibility, and must be competitor unique for them to attain maximum benefits for the firm. Conversely, the availability of resources is not enough to give the firm a competitive advantage. The firm may have surplus resources but do not have the capability to efficiently use them to their advantage. Competitive advantage is gained from a firm's ability to assemble and fully exploit its resources.

Resource Based View theory however assumes that resources are heterogeneously distributed among the firms and are immobile (Thompson et. al, 2007).This ensures that the diversity in the resources. One limitation however when using this theory is that the competitors may emulate the firm's resources and acquire them. They will turn into entry assets and their possession can then only lead to competitive parity. Hence, a company that wants to be successful in the long-term continuously needs to be able to develop strategic assets.

This theory's proposition to the study is that the type of competitive strategies adopted by multinational commercial banks is determined by the available resources. The theory indicates that through proper utilization of the resources, the firm can be able to gain competitive advantage. Using this theoretical framework the banks can plan effective use of their resources in order to formulate strategies which will enable the multinational banks cope the rising competition. The banks can also emulate the resources used by other banks in coping to competition, acquire them and use them to their own competitive advantage.

2.2.3 Open Systems Theory

Open Systems Theory was initially introduced by Ludwig von Bertanlanffy (1956) but has been modified since then and been used in many disciplines. A system is a set of two or more elements where: the behaviour of each element has an effect on the behaviour of the whole. Open Systems theory as described by Mele et, al (2010) is whereby there are exchanges of energy, matter, people and information with the external environment. This indicates that organizations exist in situations whereby they have interdependence with one another. Therefore the organization's decisions will be predetermined by the type of external pressure on the firm.

The theory tries to describe the complex relationships between people, tasks, and technologies and helps us to see how these can be used to enhance organizational performance (Pasmore & Sherwood, 1978).The theory looks at the relationships between the organizations and the environment in which they are involved. This theory is in line with Industrial Organization Model which indicates that the external environment has a strong influence on the strategic responses of businesses (Hitt et al, 1997).

The study finds this theory appropriate as it tries to establish the influencing nature of the external environment to the firm. Thus the types of strategies kept in place by multinational banks to cope competition are theorized to be influenced externally; this could be due to competition or government policies. This is due to the fact that any change in the external system could highly influence the performance. The Open Systems theoretical framework implies that the decision on the nature of competitive strategies to be adopted by the banks is highly dependent to the external environment. For effective strategies, the external environment; for example competitors, should be critically analysed and used during the formulation of strategies.

2.3 Review of Competitive Strategies

In every market scenarios their exist competition between firms which produce similar or almost similar products. However, the nature and degree of competition in an industry varies based on the nature of the competitors (Porter, 1998).In order to gain competitive advantages, firms have formulated practices known as strategies which give them a distinguishing factor among the rest, these strategies include;

2.3.1 Differentiation

Differentiation as described by Reilly (2002), refers to a situation where a firm opt to providing products/ services which are completely different to what other firms are providing. This gives the firm's products a distinguishing factor in market. A company thus designs to appeal to customers with a special sensitivity for a particular product attribute which in turn helps build customer loyalty. The key factor for developing differentiation as an effective strategy method is identifying what exactly will make a particular firm's product unique from the rest, this may be through; enhancing the quality of service, boosting the image of the firm, graphical reach, involvement in client organizations, product, enhanced delivery system, and the marketing approach have been suggested to differentiate a firm (Davidson, 2001)

The main advantage of using differentiation is that due to the loyalty created in customers, the firm counters the competitor's competitive strategies (McCracken, 2002).However using differentiation as a competitive strategy necessities the company to charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. (Porter, 1998). Also the firm should be ready to cater for the premium costs involved in product differentiation. The quality may be real or perceived based on fashion, brand name, or image. This may limit the sales of the particular product. However since the customers are loyal, they will be willing to pay more for the quality service thus gaining a competitive advantage.

2.3.2 Cost Leadership

Cost leadership which is termed as one of Porter's generic strategy, focuses on gaining a competitive advantage by providing services/ products of a lower cost in the market (Malburg, 2000). Cost leadership aims at being efficient in production and operations to reduce costs by having controls to this effect. The cost leadership strategy comes really hand where the only distinguishing factor in the market is the cost. A cost leader basis for competitive advantage is lower overall costs than competitors. For cost leadership to be attained, the firms should find ways to drive cost out of their business. Moreover, the organization must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organizations with a cost advantage (Malburg, 2000).

2.3.3 Focus Strategy

Focusing strategy as described by Porter (1998), is based on selecting a specific market niche where the particular buyers have a distinctive preference. This niche is defined by geographical uniqueness, specialized requirements in using the services based on a certain physiological aspects or by special attributes that appeal to members of a certain social class. Focus strategy differs from cost leadership and differentiation in its concentrates on serving an only particular market niche. Thus the company becomes specialized in a way since it is declined to serving the needs of a limited customer group or a segment.

Adopting this strategy, the firms hope that by serving only a small market, they will be able to offer not only unique products/ services but of high quality, gaining loyalty among the customers. Thompson et, al (2008) however argues that in order for focus strategy to be effective, the market niche should be large enough to ensure profitability for the firm. The firms that achieve this strategy may potentially earn substantial returns, but the returns are more if the select targets that are least vulnerable to substitute products or where competitors are weakest.

2.4 Empirical Review of Competitive Strategies Adopted by Firms

A number of studies have been conducted both locally and internationally trying to establish the type of competitive strategies adopted by firms. Pearce and Michael (1997), in a study of 188 US manufacturers during the early-1990s inflation, found that firms' prior marketing strategies influenced the extent of the economic impact on the business and the likelihood of a timely and full recovery. They suggest firms maintain marketing activities in the core business and, during peak periods, expand cautiously with an emphasis on marketing efficiency.

Chan and Jamison (2001) carried out an investigative study on the competitive strategies applied by banks in China from 1978 to1998. The author states that the sector witnessed important players' going in and out, different legal regulations were fulfilled, the structure and intensity of the competition became different, and trade making/differentiation became the most important element of the competition in that period.

Bonaccorsi, Patti and Gobbi (2001) carried out a study on the effect of competition on commercial banks in Italy. They sampled 15 commercial banks in Rome. From their study they found that competition leads to higher growth rates and greater access to credit by new firms and other SMEs. However they found that competition has unfavourable effects including less new firm creation, expansion, and employment, less economic growth and slower exit of mature firms.

Ferdinard (2002) carried out a study on the competitive strategies applied by Tesco Company in the UK. This study was carried on 230 employees in the various departments of the company. He noted that the company was positioned to capitalize on a value proposition which emerged from their low cost emphasis. They also found that the company typically focused their efforts on value-oriented customers in the market. Value products are focused on providing value-oriented customers with products that are indeed value-for-money, relative to competitive offerings.

In the banking industry, an empirical study by Powers and Hahn, (2004), in the USA indicated that competitive methods used by banks in the financial service industry conform to generic strategy types and banks following a cost leadership strategy realize statistically significant superior performance when compared to banks that are stuck-in-the-middle. The study point out that for some banks that pursued a broad differentiation, customer service differentiation, or focus strategy reported above average returns which were reported less frequently. They thus suggested that superior performance is more difficult to realize for banks following one of these strategic directions than it is for banks following a cost leadership strategy.

A study on Ghana by Mathisen and Buchs (2005) used the Panzar–Rosse framework in determining the degree of competition in the Ghanaian banking sector. In their study, two reduced-form revenue equations are estimated; one for total (including interest) revenue scaled using total assets and the other for unscaled total (including interest) revenue. The explanatory variables used for this study are the three dimensional vector of factor prices; namely the ratio of personnel expenses over total loans and deposits, the ratio of interest expense over total deposits, and the ratio of other operating and administrative expenses over fixed assets.

Ndung'u, (2012) conducted a study on distribution strategies and competitive advantage in Kenya Commercial Bank. The purpose of the study was to determine the role of distribution strategies as a source of competitive advantage at Kenya Commercial bank. The study adopted a case study research design in which an interview guide was used to collect data and content analysis was used in analysing the data. The research found out that some of the distribution strategies employed includes warehousing, direct distribution, intense distribution as well as indirect distribution using middlemen.

Ogutu, and Nyatichi, (2012) investigated the competitive strategies adopted by Multinational Banks in Kenya. The data was analysed using descriptive statistics such as mean scores, percentages and frequencies. The SPSS tool of analysis was also used. The findings indicated clearly that for multinational banks to maintain their competitive edge in the market they have largely adopted broad differentiation strategy. The study gives insight regarding the competitive strategies that give multinational banks a competitive edge in Kenya.

Mtua, (2013) conducted a study on competitive strategies adopted by National Bank of Kenya to cope with environmental changes. The research was designed as a case study of National Bank of Kenya. The study established that National Bank of Kenya has various strategy mechanisms such as strategic transformation, corporate governance, strategic business growth and development. The study also established other competitive strategies by national bank of Kenya such as retirement benefit obligations, fiduciary activities, and segmental reporting. The study recommends that banks should analyse their target market, identify their competition and learn from your competition and your customers.

Mboya (2013) conducted a study on competitive strategies adopted by the Jomo Kenyatta Foundation in Kenya. This was a case study that targeted the management staff of The Jomo Kenyatta Foundation. Data was collected using an interview guide which was filled by the seven managers of the organization. This study concluded that Jomo Kenyatta Foundation applies a number of strategies to enable it survive in a competitive market environment. The key recommendation in this study is that further investigation be carried out on competitive strategies employed by publishing firms employing forms of research other than the one used in this study.

Kariuki (2014) investigated the competitive strategies used by commercial banks in Kenya to Attract Corporate Customers. The study adopted a cross sectional descriptive survey research design. Descriptive statistics such as means, standard deviations and frequencies as well as bivariate analysis in form of cross tabulation was used to analyse the data. The study concluded that there is empirical evidence to demonstrate that cost leadership; differentiation; and focus strategies are being used by the commercial banks in Kenya to attract corporate clients. The study recommends retention strategies beyond the attraction strategies being adopted.

Ndungu, Machuki, and Murerwa, (2014) conducted a study on response strategies by commercial banks to economic changes in Kenya. A sample of thirty five banks was used and primary data collected using questionnaires administered to the managers of the banks who are responsible for developing response strategies. Secondary data was obtained from the banks' existing bank publications and annual reports. The study established that the commercial banks have been able to respond to the changes in their environment through retrenchment strategies which involved cutting operating costs and divestment of non-core assets.

Kungu, Desta, and Ngui, (2014) on their study on an assessment of the effectiveness of competitive strategies by commercial Banks: A Case of Equity Bank, found out that there was a positive correlation between competitive strategy effectiveness; and innovation, customer focus, bench marking and differentiation which were found to be statistically significant. The study employed a descriptive research design. The study found that equity bank uses different competitive strategies among them the combination strategy, cost leadership strategy, differentiation strategy, and focus strategy. The study recommends that the commercial banks to improve their information system, come up with effective pricing strategies, and adopt advanced technology.

2.5 Empirical Summary and Research Gaps

Competition has in the recent years shown to improve the performance in any industry and at the same ensuring quality of services to its customers. This has resulted in the increased focus in identifying the competitive strategies adopted by different firms. Though there are various theoretical frameworks attempting to explain what influences the type competitive strategies used in firms as shown by; game theory, open systems theory and resource based theory, the results obtained from empirical studies are inconclusive.

Kariuki (2014) investigated the competitive strategies used by commercial banks in Kenya to attract corporate customers. The study concluded that there is empirical evidence to demonstrate that cost leadership; differentiation; and focus strategies are being used by the commercial banks in Kenya to attract corporate clients. This is in line with Ndungu, Machuki, and Murerwa, (2014) and Mtua, (2013) who find the similar results. On the contrary a study by Powers and Hahn, (2004) indicated that though banks adopted competitive strategies, they still achieved just average returns. Similarly Mboya, (2013) argues that more study needs to be undertaken as he found inconclusive results.

From the empirical studies review, certain strategies such as cost leadership; differentiation; and focus strategies have been established to be the most used in coping competition by firms. It's clear however that most of these studies have majorly focused on the success of the competitive strategies without establishing the extent to which they are used. The theories also do not provide a definite framework for identifying which strategies are adopted by multinational banks and their extent of implementation. This study aimed at filling these gaps by establishing the strategies adopted by multinational banks in Kenya to cope competition and also establishing the extent to which the practices are have been adopted.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology that was used to carry out the research. The chapter describes the; research design, target population, sampling design, method of data collection, and data analysis. It also explains various scientific methods that were used in achieving the study objectives.

3.2 Research Design

The research design represents the scheme or outlined adopted by the researcher so as to obtain answers to the particular research problem of the study (Creswell, 2003). The research design can either be explorative or descriptive. Exploratory research design is flexible design that allow the researcher to consider many different aspect of a problem while descriptive study is concerned in establishing the way things are (Karanja, 2013). The research design is mainly chosen based on the nature of the study, the content coverage required and whether the researcher has direct control over the variables.

In this study the descriptive survey design was adopted in order to attain the study's objectives. The descriptive survey design enables obtaining data concerning the current status of the phenomena to describe what exists with respect to variables in a situation, of which the researcher had no direct control over the variables (Mugenda and Mugenda, 2003). This design is usually used when the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions.

This study aimed at determining the competitive strategies adopted by multinational commercial banks to cope with competition in Kenya and the descriptive research design was the most appropriate. Attributed by the fact that the study itself descriptive in nature since it aimed at describing what strategies are put in place by multinational commercial banks in Kenya. As such it enabled the researcher to describe the characteristics or behaviours of a particular population in a systematic and accurate fashion. This data was effectively analyzed, patterns extracted and comparison made for the purpose of clarity and drawing of a conclusion.

3.3 Population of the Study

The target population represents the sum of elements having similar characteristics and of which are of interest to the researcher (Muro, Magutu & Getembe, 2013). The target population for this study was all the multinational banks in Kenya. This is a sum of eighteen (18) multinational banks as at July 2015 (CBK, 2015) as illustrated in appendix II. The target population were studied to provide an overall picture of the competitive strategies used by all multinational banks in Kenya.

3.4 Sampling Design

The sampling design describes how the sampling unit, sampling procedure and the sample size for the study. The sampling frame describes the list of all population elements from which the sample is selected (Cooper and Schindler, 2011). A census approach was adopted so as to cover all the 18 multinational banks. The sample units were the senior management of these multinational commercial banks. This is because they are directly involved with the research problem and thus much conversant.

3.5 Data Collection

The study used purely primary data. Primary data is first-hand information which has not been documented. Primary data was collected using a questionnaire which consisted of both open and closed ended questions for both qualitative and quantitative data. The questionnaire were tested for construct validity and pre-tested for reliability in order to enhance its efficiency. The questionnaire was considered the most appropriate for the study as it is fast and enabled collection of a wide range of information. It also facilitated confidentiality of respondent's personal and business details as they were not forced into disclosing their identity when filling out the questionnaire.

The questionnaires were self-administered to respondents who were the managers as they were conversant with the strategies being applied for each of the banks. The marketing or Personal Relation managers were targeted. The questionnaires were administered through questionnaire administration drop and pick method, which is a variation of the traditional mail questionnaire method of data collection.

3.6 Data Analysis

Data analysis represents the process of obtaining information from the data collected and presenting them. The completed questionnaires were edited for completeness and consistency. Cronbach's alpha was calculated to measure the internal consistency within the data that were collected. This ensures the data collected was valid and reliable. The qualitative data from the open ended questions were analyzed using content analysis because the focus was on interpretation of the results rather than quantification. While quantitative data from the close ended questions were interpreted by use of statistical package for social sciences (SPSS) and were analyzed through the use of descriptive statistics which included frequencies, percentages, standard deviation and arithmetic mean. The analysed data were then represented in tables.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

The chapter covers the data analysis, results and discussions in relation to the research question raised of the study. The objective was to establish the strategies adopted by multinational commercial banks to cope with competition in Kenya.

4.2 Response Rate

The study targeted a population 80 of Product Development Managers or their equivalents in the 18 registered banks in Kenya. The response rate obtained are shown by Table 4.1 below.

Table 4.1: Response Rate

	Frequency	**Percent**
Responded	63	79%
Not Responded	17	21%
Total	**80**	**100%**

Source: Research data 2016

From the results obtained, sixty three duly filled questionnaires were received back out of the 80 that were distributed translating into 79% response rate. The 21% (17) who did not return the questionnaires cited busy schedules as the main reason for not filling them. This response rate was very good and representative and conforms to Mugenda and Mugenda (2008) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is very good. The use of drop and pick method of the questionnaires together with the letter of introduction issued by the university ensured the high response rate.

4.3 General Information

The study sought to highlight the general information of the respondents to identify whether they were in a position to offer valid information about their organization strategies.

4.3.1 Length of Service

In order to establish the experience of the respondents in the banking industry, the respondents were asked to state how long they have been working in their respective multinational commercial banks. This helped in determination of the working duration in the companies. The findings obtained are as illustrated by table 4.2 below.

Table 4.2: Length of Service

	Frequency	**Percent**
Below 3 years	27	43%
4-7 years	20	32%
8-10 years	2	3%
Above 10 years	14	22%
Total	**63**	**100%**

Source: Research data 2016

The results show that 43% of the respondents had served within their current organizations for a period of less than 3 years. This was followed by those who had served for 4-7 years at 32%; above 10 years at 22% and the remaining 3% or a duration of 8-10 years. The findings indicate that 57% had served their organizations for more than 4 years. Thus shows that the respondents were conversant of the operations and strategies their firms after serving for long duration (>4 years). In addition they were knowledgeable of the extent of adoption of various strategies and their effectiveness.

4.3.2 Age of the Banks

The study aimed at establishing the duration the multinational banks had been in operational in the country. The findings obtained are as shown by the table 4.3 below.

Table 4.3 Age of the Banks

	Frequency	Percent
Under 5 years	2	4%
6-10 years	33	52%
11-15 years	21	33%
Over 16 years	7	11%
Total	**63**	**100%**

Source: Research data 2016

The results show that 52% had been operation or a period of 6-10 years, 33% for a period of 11-15 years, 11% for a period of over 16 years while only 4% for a period of less than 5 years. This thus shows that 96% of the multinational banks in Kenya have been operating in the country for a period exceeding 6 years. This is an indicator that these firms have been in the country for sufficient period of time to enable them anticipate and if possible come up with strategies to strive in the external business environment of the country.

4.3.3 Number of Branches of the Commercial Banks

This section sought to establish the number of branches the multinational commercial banks had as an indicator of their sizes and service coverage. The results obtained are as shown by the table below.

Table 4.4: Number of Branches of the Commercial Banks

	Frequency	Percent
Over 21 branches	7	11%
16-20 branches	6	10%
11-15 branches	30	48%
6-10 branches	13	21%
1-5 branches	7	11%
Total	**63**	**100%**

Source: Research data 2016

As illustrated by table 4.4, 48% had 11-15 branches, 21% had 6-10 branches, 11% had 1-5 branches and over 21 branches each while the remaining 10% had 16-20 branches. This implied that over 65 % had over 11 branches thus indicating the commercial banks were of considerable large sizes and well distributed in the country. The banks therefore were not only in a position to formulate strategies but also implement them.

4.4 Reliability Analysis

The reliability of an instrument refers to its ability to produce consistent and stable measurements. The most common reliability coefficient is the Cronbach's alpha which estimates internal consistency by determining how all items on a test relate to all other items and to the total test - internal coherence of data. The reliability is expressed as a coefficient between 0 and 1.00. The higher the coefficient, the more reliable is the test. In this study to ensure the reliability of the instrument Cronbach's Alpha was used and the findings are as shown by table 4.5 below.

Table 4.5: Reliability Test of Constructs

Item	Cronbach Alpha	No of items
Cost leadership strategies adopted to cope with competition	0.941	9
Differentiation strategies adopted to cope with competition	0.896	10
Focus strategies adopted to cope with competition	0.864	6

Source: Research data 2016

The findings indicate that cost leadership strategies had a coefficient of 0.941, differentiation strategies had a coefficient of 0.896, and focus strategies had a coefficient of 0.864. All constructs depicted that the value of Cronbach's Alpha were above the suggested value of 0.5 thus the study was reliable and affirms the three strategies to be in use in the multinational banks (Karanja, 2013).

4.5 Strategies Adopted by Multinational Commercial Banks to Cope with Competition

4.5.1 Cost leadership Strategies

The study sought to establish the extent of adoption of cost leadership strategy in coping competition. So as to determine its extent of use as a competitive strategy, the respondents were required to rate the statements pertaining to price control using a Likert scale. Where 1 was very small extent, 2 was small extent, 3 was moderate extent, 4 was large extent and 5 was to a very large extent. The results obtained are as shown by table 4.6 below.

Table 4.6: Cost leadership strategies adopted to cope with competition

Cost leadership strategies	Mean	Std. Dev
Reducing organization overhead costs	3.52	0.86
Cost minimization in areas like R&D, service, sales force, advertising	3.52	0.91
Maintaining low administrative costs	3.19	1.04
Outsourcing activities to other organizations with a cost advantage	3.32	1.01
Aggressive pursuit of automation to lower the cost of service delivery	3.60	0.89
Innovativeness in products and processes	3.30	1.01
Emphasis on maximum capacity utilization of resources	3.19	1.04
Rigorous pursuit of cost reductions from experience (experience curve)	3.71	0.99
Merges to achieve economies of scale	3.14	0.91

Source: Research data 2016

The findings obtained show that rigorous pursuit of cost reductions from experience obtained a mean of 3.71. Aggressive pursuit of automation to lower the cost of service delivery had a mean of 3.60. Reducing organization overhead costs and cost minimization in areas like R&D, service, sales force, advertising each had means of 3.52. Outsourcing activities to other organizations with a cost advantage on the other hand had a mean of 3.32. While maintaining low administrative costs, emphasis on maximum capacity utilization of resources and merges to achieve economies of scale had means of 3.19, 3.19 and 3.14 respectively.

The results thus implies that all the parameters had moderate extents of adoption as competitive strategies. Consequently, rigorous pursuit of cost reductions from experience was established to have the most used with merges to achieve economies of scale having the least implementation. This can be attributed to the long procedures encountered during merging of banks and the risks involved in the process. Additionally, the merging rules out the cost leadership advantage as though there is economies of scale neither of the two merged banks will provide the services at a lower cost. This in accordance to Porter (2001) who argued that the low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other firms in its market. This can be attained through reducing cost of production by improving processes efficiency, getting lower cost materials, vertical integration, optimal outsourcing and efficient distribution channels.

4.5.2 Differentiation Strategies Adopted to Cope with Competition

The study sought to establish the extent to which differentiation strategy has been implemented on coping to competition. To achieve this, the respondents were required to rate various differentiation strategy statements using a scale of 1-5 where; 1 was very small extent, 2 was small extent, 3 was moderate extent, 4 was large extent and 5 was to a very large extent. The findings are illustrated by table 4.7 below.

Table 4.7: Differentiation strategies adopted to cope with competition

Differentiation strategies adopted	Mean	Std. Dev
Offering products of reputable quality	3.74	0.94
Rewarding of employees for creativity	3.69	0.92
Introduction of new products targeting new clients	3.31	0.95
Special interest rate charges on loans for customers	3.21	0.89
Ensuring customer satisfactory is achieved	3.48	1.00
Frequently improving the existing customers product	3.47	1.02
Maintaining of strong customer relationship	3.42	0.90
Increasing diversity of the banks culture	3.70	0.80
Identifying the specific needs of the customers	3.50	0.84
Clients receive customized services	3.43	0.73

Source: Research data 2016

The findings show how various parameters were adopted as competitive strategies and their effectiveness. Offering products of reputable quality had a mean of 3.74. Increasing diversity of the banks culture had a mean of 3.70. Rewarding of employees for creativity had a mean of 3.69 and identifying the specific needs of the customers established a mean of 3.50. While ensuring customer satisfactory is achieved, frequently improving the existing customers product, clients receive customized services and maintaining of strong customer relationship had means of 3.48, 3.47, 3.43 and 3.42 respectively. On the other hand introduction of new products targeting new clients and special interest rate charges on loans for customers had means of 3.31 and 3.21.

Implying therefore that offering products of reputable quality had the greatest adoption while special interest rate charges on loans for customers had the least adoption. Differentiation strategy is therefore a form of growth marketing strategy that can be used to increase profitability through greater sales volume obtained from new products and new markets (Ngothi, 2013). One limitation however which hinders full exploitation of differentiation strategy is that it is resource demanding. As explained by the Resource Based View theory, a firm can only venture in the strategies that are within the scope of the available resources. These firms are able to achieve competitive advantage based on the unique resources, skills and capabilities they control. Hence for a firm to fully differentiate its products it ought to have not only adequate resources but the resources also have to be unique.

4.5.3 Focus Strategies Adopted to Cope with Competition

The study sought to establish the extent of adoption of focus strategies in coping competition by the multinational commercial banks. The respondents' responses on various statements on focus strategies were rated using a Likert scale were 5= to a very large extent 4= Large extent 3 = moderate extent 2= small extent 1=very small extent. Table 4.8 shows the findings.

Table 4.8: Focus strategies adopted to cope with competition

Focus strategies adopted	Mean	Std. Dev
Investing intelligently in superior customer experience in a systematic and economically viable manner targeting specific niche markets	3.54	0.89
Building brand and vision around specific customer promise	3.17	0.85
Making brand and vision visible to our niche market	3.68	0.88
Having employees develop the mindsets and capabilities behind the niche customer-centric agenda	3.19	0.90
Establishing an organizational structure in place that enables niche customer centricity in business decisions	3.63	1.00
Creating customers satisfaction and loyalty	4.24	1.17

Source: Research data 2016

The findings show that creating customers satisfaction and loyalty was adopted as a competitive strategy with a mean of 4.24. Making brand and vision visible to our niche market having a mean of 3.68. Establishing an organizational structure in place that enables niche customer centricity in business decisions with a mean of 3.63. Investing intelligently in superior customer experience in a systematic and economically viable manner targeting specific niche markets with a mean of 3.54. While building brand and vision around specific customer promise and having employees develop the mindsets and capabilities behind the niche customer-centric agenda having means of 3.17 and 3.19 respectively.

This thus implies that creating customers satisfaction and loyalty had the most influence on how the multinational commercial banks competed as it was adopted to a large extent. The remaining of the factors were established to have been implemented moderately as competitive strategies. Building brand and vision around specific customer promise however obtained the least extent. This can be attributed to the fact that there a lot of uncertainties involved around building customized brands as the customers have diversified needs. Due to the multinational banks existing in an open environment as argued by the open systems theory, putting more focus on particular interactions is more likely to be of competitive advantage. This idea is supported by Kungu, Desta, and Ngui, (2014) who examined the same in their studies.

4.6 Discussion

The objective of the study was to determine the strategies put in place by the multinational banks to cope to competition. A response rate of 79% was obtained indicating that the results obtained were reliable and ensured consistency. General information was collected such as length of service of the respondents in the banking industry, the age of the banks and the number of branches the banks had. The results obtained showed that the respondents had worked or a considerable long time and that the banks also been operation for a long duration. Therefore affirming that they were very conversant with the study topic

The study sought to find out which generic strategies are adopted to cope competition by the multinational banks. The study confirms that multinational commercial banks in Kenya adopt competitive strategies in form of cost leadership, differentiation and focus strategies to attract corporate clients. This is supported by the Cronbach alpha test that revealed all the items had co efficient of above 0.5. On cost leadership, rigorous pursuit of cost reductions from experience was established to have the most implementation with mean of 3.71 while merges to achieve economies of scale having the least implementation with a mean of 3.14.

On differentiation, offering products of reputable quality had the greatest adoption while special interest rate charges on loans for customers had the least adoption with means of 3.74 and 3.21 respectively. Findings of focus strategies on the other hand showed that creating customers' satisfaction and loyalty impacted as competitive strategy with a mean of 4.24 building brand and vision around specific customer promise had the least mean of 3.17. The results thus shows these three generic strategies have been adopted in coping to competition by the multinational banks. The study's findings concur with those of Mboya (2013), Kariuki (2014), and Murerwa, (2014) who also obtained the similar strategies in their respective studies.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objective of the study.

5.2 Summary of the Findings

The study sought to establish the competitive strategies adopted by multinational commercial banks to cope with competition in Kenya. A census approach was employed so as to cover all the eighteen multinational banks listed by CBK which comprised the population or the study. Primary data was used for the study which was collected by the use of questionnaires. Descriptive survey design to carry out the research with the target population for the study sourced from the top management of the multinational commercial banks.

The response rate was high enough of 79% and covered all types of the commercial banks in Kenya to limit errors in inferring the characteristics of the entire population. The respondents were knowledgeable about the their banks strategies as all of them were in management positions; had served within their organizations long enough and well educated to understand the concept of strategy and the actual strategies adopted by their organizations.

The study to affirm whether various strategies namely cost leadership, differentiation and focus strategies were used by multinational commercial banks in coping competition. Cronbach alpha analysis was used to test the reliability of this item. Cost leadership strategies had a coefficient of 0.941, differentiation strategies had a coefficient of 0.896, and Focus strategies had a coefficient of 0.864. This thus shows that all the items passed the test thus conforming these strategies to be put in place in the multinational commercial banks.

The study sought to establish the extent of adoption of cost leadership strategy in coping competition. The results obtained showed that the all the parameters had moderate extents of implementation as competitive strategies with means of 3s. Consequently, rigorous pursuit of cost reductions from experience was established to have the most implementation with mean of 3.71. While merges to achieve economies of scale having the least implementation with a mean of 3.14. Thus showing that though various measures can be taken to acquire cost leadership their impact varies hence some are adopted more than others.

The study aimed to identify the extent to which differentiation strategy has been implemented on coping to competition. The findings show that offering products of reputable quality had the greatest adoption while special interest rate charges on loans for customers had the least adoption with means of 3.74 and 3.21 respectively. Differentiation strategy was also establish to require both adequate and unique resources so as to be fully effective. For this reason, not all the banks had fully exploited the strategy. The findings concur with those of Ngothi, (2013) who also established the same in his study.

The study sought to determine the extent of adoption of focus strategies in coping competition by the multinational commercial banks. The findings show that creating customers satisfaction and loyalty impacted as competitive strategy with a mean of 4.24. This is attributed to the act that the customers' loyalty is crucial in gaining competitive advantage as it will enhance the preference of the customer towards that particular bank. On the other hand, building brand and vision around specific customer promise had the least mean of 3.17. This was explained the customers have a great diversity of specification and thus it would be difficult customization for each of them.

5.3 Conclusions

The study concludes that a firm's competitive advantage is not sourced from adoption of one strategy but a combination of many strategies. The key strategies concluded to be adopted by the multinational banks in coping competition comprise of cost leadership, differentiation and focus strategies. The strategies were however not fully implemented due to various factor such the external environment and the availability of resources. As such, most of the strategies had been implemented to moderates extents. The study therefore concludes that so as to cope with competition effectively, the multinational banks ought to intensify the existing strategies and increase their extents of adoption. The study also concludes that multinational banks should also put into great consideration the strategies being used by competitors during the strategy formulation process.

5.4 Recommendations

Several recommendations were made after carrying out the study on competitive strategies adopted by banks. The study recommends that the commercial banks should first understand and know their motive and capability before adopting a certain competitive strategy for example market focus. They should know on what basis to segment their products, services and operations. As the markets become dynamic and consumers more irregular and fickle, the banks need some form of market segmentation to efficiently satisfy the market's needs. What makes an organization different from a competitor should be established. The study also recommends that the banks should carefully evaluate their resources and utilize them to the maximum in gaining of competitive advantage.

Managers need to ensure that the message of differentiation reaches the clients, as the customer's perceptions of the institution are significant. Level of segmentation should be increased in the banks to reflect the strategy adopted. The study has demonstrated that commercial banks in Kenya must develop strategies to attract customers in order to survive in a highly competitive environment. Attraction is the first phase and therefore commercial banks need to develop retention strategies which are in tandem with the attraction strategies to ensure sustainability for increased performance.

5.5 Limitations of the Study

Various limitations were encountered in conducting the study, to begin with, respondents were very cautious in releasing strategic information which they deemed very sensitive. They were therefore giving limited responses in a view of protecting the privacy of their business. The fact that some of strategic decisions, processes and products are made from the group's head office with only recommendation from Kenya, some of the respondents interviewed were unable to extensively answer some questions especially regarding new products to be launched and the future of the bank.

In organizational practice, different strategies and their implementation determine the success or failure of particular organizations. This was not considered in this study. In this regard therefore, the limitation was that the study did not delve into investigating the extent to which various strategies impacted on the performance of the multinational banks. The study was not also able to comprise the challenges faced during the implementation process of the various strategies.

5.6 Suggestions for Further Research

Further studies should be done on the results of this study so as to enrich the existing knowledge on the competitive strategies. Also a research on other variables affecting firms other than competitiveness should be done to determine their effect on the firm's growth. The study should be extended to establish the strategies employed to build competitive advantage in other related sectors in the industry such as the microfinance institutions and mortgage companies. A study could also be done to identify the challenges faced by the companies in adopting strategies for sustainable competitiveness.

Research should also be undertaken to determine what strategies other companies in different related industries use to build competitive advantage. When operating in a turbulent environment firms usually have difficulty in coming up with the appropriate strategy that will ensure success in their entry mode and operations. A similar study can be done in other banks apart from the multinational ones for purpose of benchmarking to establish if the finding will be similar. The respondents should also be broadened to cover a larger sample so that the researcher can have confidence in the results.

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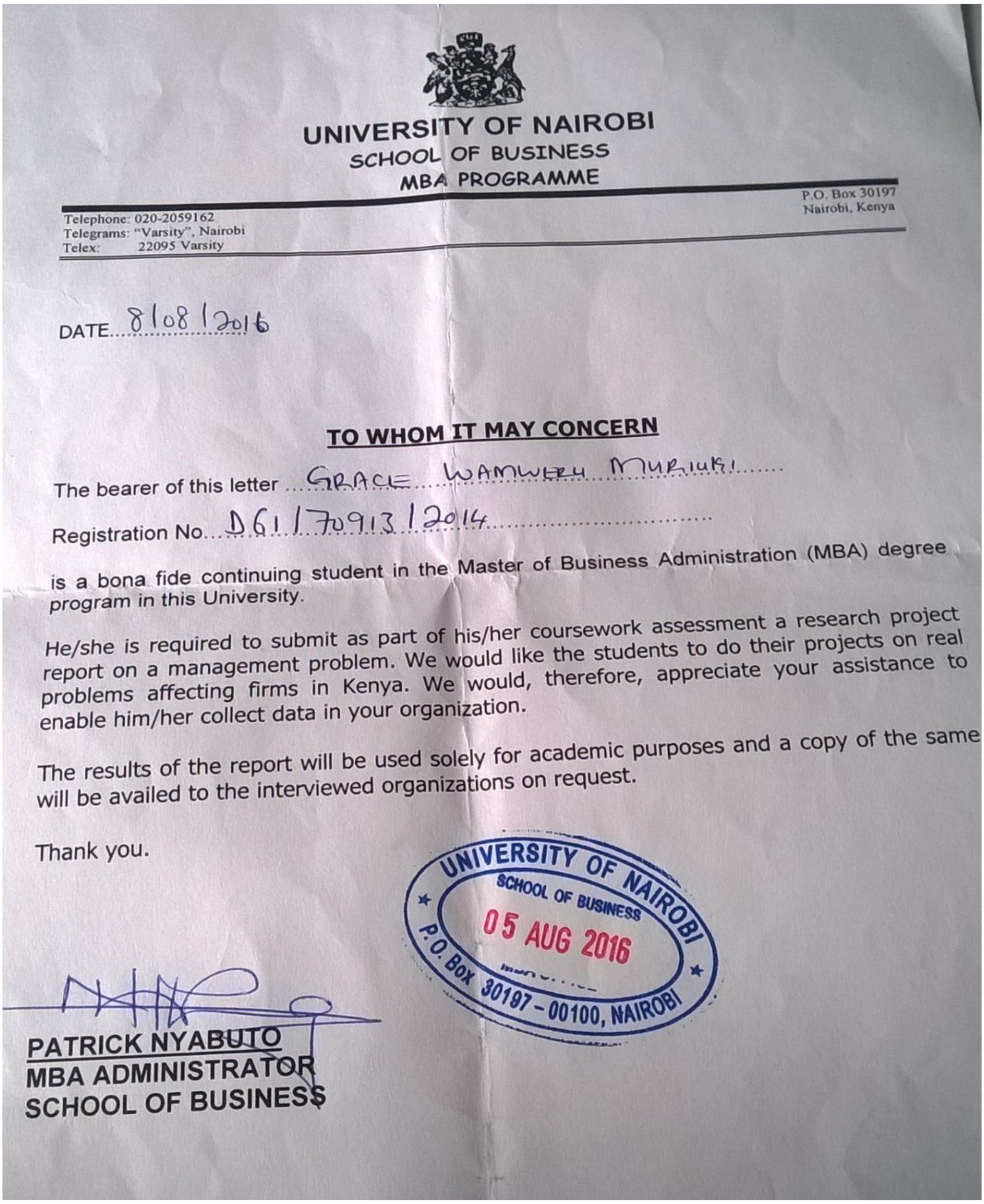
APPENDICES

Appendix I: University Introduction Letter



UNIVERSITY OF NAIROBI
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MBA PROGRAMME

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P.O. Box 30197
Nairobi, Kenya

DATE 8/08/2016

TO WHOM IT MAY CONCERN

The bearer of this letter GRACE WAMWERU MURIUKI

Registration No. D61/70913/2014

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

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
05 AUG 2016
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix II: Questionnaire

This study seeks to highlight the strategies adopted by multinational commercial banks to cope with competition in Kenya. Kindly provide information as accurately as possible. All information received will be treated confidentially and used for academic purposes only. Answer by writing in the spaces provided or by ticking in the appropriate box.

PART I: GENERAL INFORMATION

1. Name of the Bank (Optional) ______________________________

2. What is the country origin of the bank? ______________________________

3. How long have you worked with the bank?

a) Below 3 years ( )
b) 4-7 years ( )
c) 8-10 years ( )
d) Above 10 years ( )

4. How long has your bank been in operation?

a) Under 5 years ()
b) 6-10 years ()
c) 11-15 years ()
d) Over 16 years ()

5. Using the categories below, please indicate the number of branches you have in Kenya.

a) 1-5 branches ( )
b) 6-10 branches ( )
c) 11-15 branches ( )
d) 16-20 branches ( )
e) Over 21 branches ( )

PART II: USE OF STRATEGIES BY MULTINATIONAL COMMERCIAL BANKS TO COPE COMPETITION IN KENYA

6. Cost leadership strategies adopted to cope with competition

To what extent does your organization engage and emphasize in the following activities relating to cost leadership to cope competition? Use the scale of: 5= to a very large extent 4= Large extent 3 = moderate extent 2= small extent 1=very small extent (Please tick where appropriate)

Statement	**1**	**2**	**3**	**4**	**5**
Reducing organization overhead costs					
Cost minimization in areas like R&D, service, sales force, advertising					
Maintaining low administrative costs					
Outsourcing activities to other organizations with a cost advantage					
Aggressive pursuit of automation to lower the cost of service delivery					
Innovativeness in products and processes					
Emphasis on maximum capacity utilization of resources					
Rigorous pursuit of cost reductions from experience (experience curve)					
Merges to achieve economies of scale					

7. Differentiation strategies adopted to cope with competition

To what extent does your organization engage and emphasize in the following activities relating to differentiation to cope to competition? Use the scale of: 5= to a very large extent 4= Large extent 3 = moderate extent 2= small extent 1=very small extent (Please tick where appropriate).

Statement	**1**	**2**	**3**	**4**	**5**
Offering products of reputable quality					
Rewarding of employees for creativity					
Introduction of new products targeting new clients					
Special interest rate charges on loans for customers					
Ensuring customer satisfactory is achieved					
Frequently improving the existing customers product					
Maintaining of strong customer relationship					
Increasing diversity of the bank's culture					
Identifying the specific needs of the customers					
Clients receive customized services					

8**. Focus strategies adopted to cope with competition**

To what extent does your organization engage and emphasize in the following activities relating to focus strategy to cope competition? Use the scale of: 5= to a very large extent 4= Large extent 3 = moderate extent 2= small extent 1=very small extent (Please tick where appropriate)

Statement	**1**	**2**	**3**	**4**	**5**
Investing intelligently in superior customer experience in a systematic and economically viable manner targeting specific niche markets					
Building brand and vision around specific customer					

promise					
Making brand and vision visible to our niche market					
Having employees develop the mindsets and capabilities behind the niche customer-centric agenda					
Establishing an organizational structure in place that enables niche customer centricity in business decisions					
Creating customers satisfaction and loyalty					

9. Which other strategies have your bank adopted to cope competition apart from the one mentioned above?

____

____

End

Thank You for Your Time

Appendix III: Licensed Multinational Commercial Banks In Kenya As At July 2015

No	Multinational Commercial Bank
1	Bank of Africa Limited
2	HDFC Bank Limited
3	Ned Bank Limited
4	First Rand Bank
5	Bank of China
6	Habib Bank AG Zurich
7	Central Bank of India
8	Bank of Kigali
9	Consolidated Bank of Kenya
10	Development Bank of Kenya
11	National Bank of Kenya
12	Barclays Bank Kenya
13	CfC Stanbic Holdings
14	Citibank
15	Eco bank Kenya
16	Gulf African Bank
17	United Bank for Africa
18	Standard Chartered Kenya

Source: www.centralbank.go.ke retrieved on July 18 2015