STRATEGIC RESPONSES OF BANKS TREASURY DEPARTMENTS TOWARDS A COMPETITIVE ENVIRONMENT AND ITS EFFECT ON PROFITABILITY: A CASE STUDY OF BANK OF AFRICA

BY

JACKLINE MUCHANGI

UNITED STATES INTERNATIONAL UNIVERSITY

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A Research Project Submitted to the Chandaria School Of Business In Partial Fulfillment of the Requirement For The Degree Masters Of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

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STUDENT'S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than United States International University in Nairobi for Academic credit.

Signed:___________________________ **Date:** ___________________________

Jackline Maruria Muchangi (ID Number 600243).

This Project has been presented for examination with my approval as the appointed supervisor.

Signed:___________________________ **Date:** ___________________________

Dr, Paul Katuse

Signed:___________________________ **Date:** ___________________________

Dean, Chandaria School of Business.

ABSTRACT

The purpose of this study was to determine the effect of strategic responses of banks treasury departments on the profitability in Bank of Africa. The following research questions were used to guide the study: i) What is the effect of Employee empowerment strategy on the profitability of Bank of Africa? ii) To what extent does customer relationship management strategy affect the profitability of Bank of Africa? Iii) What is the effect of Information Technology Deployment strategy on the profitability of Bank of Africa?

The research was carried out through descriptive survey design. The population of the study was 1040 employees of the Bank of Africa. A sample size of 81 respondents was selected through convenience sampling. The study used primary data specifically the study used a questionnaire as the preferred data collection tool. The questionnaire had close ended questions only. This study used the quantitative method of data analysis. Quantitative methods of data analysis included inferential and descriptive statistics. The rationale for using quantitative methods for data analysis was because some of the data results required quantitative interpretation. The researcher used descriptive and inferential statistics in this study. For instance, descriptive statistics include frequencies and measures of tendency mainly mean, mode and median. Inferential statistics include correlation analysis. The tool for data analysis was Statistical Package for Social Sciences (SPSS) version 20 program. The results were presented using tables and pie charts to give a clear picture of the research findings.

One of the study objectives was to determine the effect of employee empowerment strategy on the profitability of Bank of Africa. Results indicated that majority of the respondents agreed with the statements that every new employee receives induction training, learning about the duties of the job was included in the induction training, on the job training was important and effective in improving employee performance, employees were satisfied with the compensation package offered in the bank, employees' are satisfied on reward motivation granted by the bank and employees' are satisfied on working environment and opportunities offered in the bank.

The second objective of the study was to determine to what extent customer relationship management strategy affects the profitability of Bank of Africa. The study findings indicated that majority of the respondents agreed with the statements that CRM strategy enables the banks to analyze the customer profiles, CRM strategy helps banks to identifying the banks most profitable customer and prospects, CRM enables the bank to provide better customer service to their clients, CRM enables the bank make call centers more efficient, CRM enables the bank and help sales staffs close deal faster, CRM enables the bank discover new customers, and increase customer's revenues and CRM strategy enables the banks to analyze the customer profiles

The third objective of the study was to determine to what extent information technology deployment strategy affects the profitability of Bank of Africa. Results indicated that majority of the respondents agreed with the statements that the bank has invested heavily in an ATM network, the bank has invested heavily in internet banking, the core banks management information system was compatible with other systems, the management information system was flexible enough to supports the growth of the bank, the management information system of the bank has been crucial in assisting employees to enhance their performance and productivity, the bank has invested in a management information system which is easy to use and the bank has invested in a management information system which has enabled the minimization of administrative costs.

It was possible to conclude that employee empowerment was highly emphasized in the banks. Results led to a conclusion that all employees received induction training and all the learning was incorporated on the job training. Results revealed that employees' are satisfied on recruitment selection systems, compensation package, job security, career growth, reward motivation and working environment

Results led to the conclusion that CRM strategy enables the banks to analyze the customer profiles. It was inferred that CRM strategy helps banks to identifying the banks most profitable customer and prospects and that CRM enables the bank to provide better customer service.

It was concluded that the bank has invested in a management information system which was easy to use and that the bank has invested in a management information system which has enabled the minimization of administrative costs. Results led to the conclusion that the core banks management information system was compatible with other systems and that the management information system was flexible enough to supports the growth of the bank.

In line with study results, it is recommended that employee empowerment be emphasized in the banks as it has an effect on the overall achievement of bank's profitability. Therefore the management is urged to encourage sharing of potentially sensitive information on costs, quality, and productivity on financial performance with other employees.

The study recommends that banks should emphasize customer relationship by investing in a customer relationship management system. Specifically, banks should invest in a robust Information technology system as this can certainly help companies to create satisfied and loyal customers.

It is recommended that investment in Information technology be emphasized in the banks as it has an effect on the overall achievement of competitive advantage. Therefore the organization is urged to invest in innovative and technology based products such as ATMs, Mobile banking, Internet banking and agency banking. In addition, banks should invest in management information systems which are easy to use and which facilitate minimization of administration and operational costs.

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DEDICATION

To my mother who worked tirelessly to ensure my education. To my daughter, my reading and homework companion.

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ACRYONMS

BOA	Bank Of Africa
CBK	Central Bank of Kenya
ROA	Return on Asset
SACCOs	Savings and Credit Cooperatives Societies

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

To succeed in an industry, an organization must select a mode of strategic behavior which matches the levels of environmental turbulence, and develop a resource capability which complements the chosen mode Acur & Englyst, (2006), Manimala (2011) and Aboagye-Debrah (2007) identified three distinct modes of strategic behavior. First, was the mode that consists of organizations thatrash and are driven by their environment. Second is the pre-emptive group that seeks to anticipate future events and prepare for them while the third group exhibits the most aggressive stance; apart from seeking to identify future scenarios they work to bring these about. The classification of strategic behavior is supported by several theories which include the resource dependence theory, the institutional theory and a continuum of theories that border between resource dependency and institutional theories. In line with these theories, one can identify the context and content in which certain strategic responses and behaviors are appropriate (Debrah, 2007).

According to this view, the primary resources regarding a firm's competitive advantage include its physical assets, financial capital, human resources, organizational systems, technology and knowledge, and intangible assets (e.g., trademark, patent, copyright, and goodwill). In particular, Barney (1991) indicates that a firm's sustained competitive advantage results from its strategic resources that are valuable, rare, imperfectly imitable, and non- substitutable. This view focuses on a firm's internal attributes, especially its strategic resources (Peteraf & Barney, 2003).

Strategy is the management's game plan for strengthening the performance of the enterprise. It is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations (business growth, financial performance and market leadership). It is a framework that guides those choices that determine the nature and direction of an organization (Hooley, Peircy, & Nikolaud, 2008).Without a strategy, the management has got no roadmap to guide them.

Kim and Mcintoch (2002) assert that rapid technological change, easier entry by foreign competitors, and the accelerating breakdown of traditional industry boundaries subject firms to new, unpredictable competitive forces. Contemporary firms, operating in dynamic market contexts, often deal with these contingencies by implementing strategies that permit quick reconfiguration and redeployment of assets to deal with environmental change. Manimala (2011) asserted that strategic responses to environmental changes were mainly around improving quality and productivity, reducing costs, restructuring and culture-building, rather than finding partnerships and assistance from across the newly opened boundaries. The findings suggest that competition does have an impact on self-improvements and that the primary impetus for strategy making is from one's own internal strengths than from the environment

Competition within the banking industry is becoming fiercer. Continued existence of a business is dependent on implementation of proper operating business strategies. Within the volatile and unpredictable financial market, banks' ability to make strategic decisions relies heavily on whether they can efficiently interpret information so as to maintain customer loyalty, reduce operational costs, maximize wealth and maintain a sustainable growth rate (Sun, 2010). Competition in the business world today is not limited by boundaries; large multinationals cannibalize small companies' customers forcing them to exit the market.Global economic contagion in the world today has resulted to the failure of many companies. The most important weapon in today's financial market is information and without information and proper strategies any business can fail (Reinartz, 2004).

Financial performance of commercial banks between 2001 and 2010 largely remained mixed. While ROA has remained generally flat, the return on equity ROE has consistently increased from 16% in 2001 to a maximum of 28% during the period under investigation. Flamini, McDonaldand Schumacher(2009) and other several studies have shown that bank profitability is influenced by bank-specific factors and industry specific factors.

Bank of Africa (BOA-KENYA) is an all public bank providing banking services to corporate, SME and retail clientele. The bank commenced operations in Kenya in July 2004, after acquiring the Kenyan branch of Credit Agricole Indosuez. The bank has 19 branches in Kenya of which 8 in Nairobi (Uhuru Highway, Monrovia Street, Ruaraka, Nairobi, Westlands, Ngong Road, Embakasi and River Road), 1 in Kisumu ,1 in Nakuru ,1 in Eldoret ,1 in Bungoma,1 in Kericho , 1 in Rongai, 1 in Meru, 1 in Kisii, 1 in Thika and 2 in Mombasa(Mombasa, Changamwe).

All the branches are fully networked and operate in real time, enabling customers transact in any branch across the country. The Bank of Africa vision is: To be the preferred bank to our chosen market and the mission is to: to serve our customers with efficiency and courtesy, to contribute to the development of all our stakeholders, to optimize the growth of Group Bank of Africa through synergies and common development plans and to promote the growth and stability of the economies that we operate in (BOA Financial Statements, 2012).

The core values for BOA are**:** Reliable – We deliver what we commit to our stakeholders and keep them informed of progress; Innovative – We are receptive to new ideas and new thinking to provide business solutions to our clients; Efficient – We continuously strive to perfect our processes in order to provide world class service in all aspects; Integrity – We are honest, trustworthy and straightforward in all our dealings with our stakeholders and Team work – We value teamwork not only between ourselves but also with our stakeholders. While the mission and vision statements provide BOA with direction and purpose, our core values serve as drivers to guide our actions and decisions as we strive to achieve our vision (BOA Financial Statements, 2012).

1.2 Statement of the Problem

In an environment that is very competitive, organizations in the profit making and not for profit have to position themselves strategically over other players in the industry that they compete with. In order to thrive in an industry, an organization must choose a mode of strategic behavior which matches the levels of environmental turmoil, and build up a resource facility which complements the selected mode (Acur & Englyst, 2006). Various authors have identified the modes of strategic behavior that may be adopted by organizations. These include Manimala (2011) and Aboagye-Debrah (2007) who identify three modes of strategic behavior namely; reactive, preemptive and aggressive. A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company.

Several studies on strategic responses of organizations have been conducted. These studies include, Oliver (1991) who offered a typology of strategic responses that vary in active organizations: from resistance, passive, conformity to proactive manipulation. However, the study did not address the strategic responses that are adopted by Bank of Africa in Kenya and the impact of such strategies on profitability. Munir, Baird and Perera (2011) conducted a study on the strategic responses adopted by the banking sector but failed to address the strategic responses adopted by BOA towards competitive environment in Kenya and the effect of such strategies on profitability.

Local studies such as Mutua (2010) dwelt on strategic responses by the deposit protection fund (DPF) board to changes in the external environment. The study had gaps since it did not link strategic responses to the profitability of BOA in Kenya. Mwithiga (2013) did a study on strategic responses adopted by SACCOS to the Changing Operation Environment in the Kenyan Financial Sector. The study had gaps since it did not address the strategic responses of BOA and the effect of such strategies on the profitability of bank of Africa. Njihia (2009) investigated the strategic responses of Kenya Commercial Bank limited to changes in the Kenyan banking industry but ignored the strategic responses adopted by BOA in Kenya towards competitive environment and their effect on profitability of the bank. Other studies that addressed strategic responses are Mwangi (2010), Chepkiyeng (2011), Mwithiga (2013), Marete (2007), Mudanya (2007), Odongo (2008), Wairimu (2008), Ombok (2009). Nonetheless, the papers failed to address strategic responses of BOA and the effect of such strategies on the profitability of bank of Africa. Although the above reviewed studies made important contributions on various aspects on organizations, they suffer from contextual gaps since they did not address the effect of strategic responses of banks treasury departments on the profitability of BOA. This is the research gap that this study wishes to address. The study sought to determine answers to the following question; what is the effect of strategic responses on the profitability of Bank of Africa in Kenya?

1.3 Purpose of the Study

The purpose of this study was to determine the effect of strategic responses of banks treasury departments on the profitability in Bank of Africa.

1.4 Research Questions

1.4.1 What is the effect of Employee empowerment strategy on the profitability of Bank of Africa?

1.4.2 To what extent does customer relationship management strategy affect the profitability of Bank of Africa?

1.4.3 What is the effect of Information Technology Deployment strategy on the profitability of Bank of Africa?

1.5 Significance of the Study

The findings of the research study would hence be of significance to many people including the following;

1.5.1 Bank Management

The study is of importance to the management and staff of Bank of Africa as it gives feedback on their effectiveness of the implemented strategies in achieving intended goals and objectives. It is also useful to members of other banks, agencies and public organizations intending to implement strategy planning in their organizations to achieve competitive advantage.

1.5.2 Government Regulators

The study findings may also help the government regulators and the policy makers as they can use the finding as reference for policy guidelines on strategic responses in the public institutions and parastatals and increase productivity in these sectors.

1.5.3 Researchers and Scholars

Finally to academicians and other researchers would find this study useful as a point of reference and indeed to add to the existing body of knowledge by further research on this area.

1.6 Scope of the Study

The study focused on all 27 branches of Bank of Africa in Kenya. The study was conducted in the year 2013 and 2014. The study targeted the operational managers, supervisors and branch managers of Bank of Africa.

1.7 Definition of Key Terms

1.7.1 Financial Performance

A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Aburime, 2009)

1.7.2 Strategy

Strategy is the management’s game plan for strengthening the performance of the enterprise. It is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations (business growth, financial performance and market leadership) (Manimala, 2011).

1.7.3 Competitive advantage

This can be defined as any activity that creates superior value above its rivals (Porter, 1990).

1.8 Chapter Summary

This chapter was an introduction of the research project. It defined the background of the problem and the statement of the problem. It followed further by briefly stating the purpose of the research work. The chapter also showed the research questions that were used to guide the study as well as examine the various factors responsible for the existing problem. The justifications of the study and scope have also been presented within the chapter as well as the importance and the scope of the study. The next chapter highlighted the literature of the study topic. Chapter three will draw attention to the research methodology and chapter four will outline the data analysis while the last chapter (chapter five) will draw attention to conclusions and recommendations of the study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2. 1 Introduction

The purpose of this study is to determine the effect of strategic responses of banks treasury departments on profitability of Bank of Africa. This chapter presents a review of the literature on the topic of effect of strategic responses on profitability in Bank of Africa a case study of Bank of Africa**.** The chapter seeks to give information in line with the research questions: What is the effect of Employee empowerment on the profitability of Bank of Africa? To what extent does customer relationship management affect the profitability of Bank of Africa? What is the effect of Information Technology Deployment on the profitability of Bank of Africa?

2.2 Employee Empowerment and Profitability

Empowerment is defined as giving power and authority which is necessary in making company workflow decisions (Kilton, 2003). Employee empowerment is expected to have a significant impact on the decision making capacity of the employees. This by extension leads to improved employee performance and organizational performance. Advantages of employee empowerment include quick customer service, reduced need for supervision and an increase in employee self confidence and job satisfaction in dealing with organization tasks.

2.2.1 Mechanisms of enhancing Employee Empowerment

Training is an action that changes people's behavior (Zwick, 2006). It aims at providing learners with the knowledge and skills required for their current job (Fitzgerald, 2008) since only few people come to the job having complete knowledge and experience needed to execute their assigned job. In most cases increased productivity is said to be the key reason for training though it is only one of the benefits amongst others (Zwick, 2006). Apart from increasing productivity, training motivates and inspires workers. This is achieved by letting them know how important their jobs are and giving them all the information they need to perform those jobs (Zwick, 2006).

Over a long period of time the importance and value of education and training has been acknowledged. Consider the famous and often repeated quotation, “Give a person a fish and you feed him for a day. Teach a person to fish and you feed him for a lifetime.” This simple but insightful saying is accredited to the wisdom of Confucius who lived in the 5th century BC. The need for training is more pronounced than ever given today’s business environment and the exponential growth in technology with its effect on the economy and society at large, (Mcelland,2007).

Faems, et al. (2005) lists the common benefits from employee training: increased innovation in strategies and products, increased job satisfaction and morale, increased capacity to adopt new technologies and methods, increased motivation, reduced employee turnover and increased efficiencies in processes resulting in financial gain. Training should be precise to the needs of an organization for value addition. Lack of right training can make employees the organization’s biggest liability. On the other hand, effective training can make the employees become a firm’s biggest asset (Bartram & Gibson, 2008). Rosner (2009) adds another constituent for success which is support after training. He states, “The most successful programs teach workers in new behaviors and then teach managers to support employees as they apply learning daily (Rosner, 2009, p.43). Support and approval from management can significantly enhance training results. In conclusion, training is not always the answer, and when it is the answer, it has to be the right training.

A number of studies indicate that employee training has a positive impact on corporate performance. They generally test the hypothesis that, by improving the competency of employees, training also improves their productivity, which is reflected in an improvement in the firm’s performance. Betcherman, McMullen and Davidman (2008) concluded that firms that have training programs tended to perform better in terms of productivity, revenues, profitability, viability and prospects. Saks et al. (2008) also found a positive relation between training and productivity, profit, revenue and client satisfaction, a relation that is more significant when the training is accompanied by incentives for the employees.

There are various techniques of training and this includes induction training, on the job training and off the job training. Induction training relates to training of employees at the entry level or during the period of probation and this may also be regarded as orientation training (Garcia, 2005). On the job training includes coaching, demonstrations and instructions in the work place and may involve job shadowing of experience d workers or cross training in departments (Horgan & Muhlau, 2006). Off the job training involves programs that take the employees away from the workplace and this may include sponsored courses in universities and colleges (Ghebregiorgis& Karsten, 2007).

2.2.2 Effect of Employee Empowerment on Profitability

Empowerment is an idea which includes many disciplines and areas of study such as economics, community development, education, psychology, and studies of social movements and organizations, among others. According to the definition of *The World Bank*, empowerment is providing individuals or groups with enough knowledge to allow them to make educated choices so that the result of those choices leads to responsible decision making. Hopefully these decisions will not only benefit the individual making them but also the organization or company which allows the use of this empowerment. Empowering organizational employees promotes higher product and service quality (Titko & Lace, 2012). The management in the commercial banking industry need to empower banking staff through facilitating autonomy, creating self directed team and enhancing effective information sharing. Such empowerment will bring about effectiveness in the banking industry (Ladhari et al, 2011).

The importance of empowerment as management theme has been noted in general management over the years. The trend has been to give organization staff enough freedom in the design of work, work flow and authority in an effort to encourage them to apply their ability fully in achieving the overall aims and objectives of the organization (Al-Swidi & Mahmood, 2011). Empowerment has also been applied in project management (Williams, 1997).

Studies on employee engagement (Tower Perrin, USA 2003, 2007) linked the same to customer impact and financial results. They suggested that there exists a close relationship between high levels of employee engagement and lower staff turn-over rates, higher customer satisfaction and loyalty. The need to create development and career growth opportunities, appropriate leadership styles and work – life balance were deemed important to attract, retain and engage employees.

Employee empowerment is crucial enhancing employee engagement, customer love and loyalty to organization products, organization growth and business profitability. The Gallup Organization (2004) noted that there exit crucial linkages between employee engagement, customer love and loyalty to organization products, organization growth and business profitability. The study by Gallup Organization (2004) compared bottom 25 percent and top 25 percent stores in terms of employee engagement, customer love and loyalty. The used a set of growth indicators such as sales, customer complaints and turnover and concluded that stores in the bottom 25 percent had underperformed significantly in the three indicators of growth, that is, sales, customer complaints and turnover. The international Survey Research (ISR) 2005) also found corroborating evidence of the link between employee empowerment, employee engagement, customer loyalty and business growth and profitability and this implied that organization can only reach their full growth potential by emotionally engaging employees and customer(ISR, 2005).

Ott(2007) corroborated the work of Gallup Organization (2004) and noted that publicly traded organization with highly empowered and engaged employees were also likely to have high Earning Per Share(EPS). A comparison between competing firms in an industry showed that firms with four engaged workers for every disengaged worker reported a 2.6 times higher EPS growth as opposed to a firm that had a less than one engagement ratio for every disengaged worker. These findings were validated through monitoring the industry variability by comparing each company with its competitor in the same industry. To add to that, the trends of EPS over time were recognized. This assisted in removing outliers as would have been the case if the observation were only for one year.

Employees need more autonomy and empowerment to be able to handle challenging job requirements under a competitive global business environment. This can be done by giving them a chance to be more creative and responsible. The relationship between dimensions of empowerment and employees performance is that empowerment, freedom and opportunities to influence decision making in their jobs or organization improves employees' performance significantly. Chen (2011). Positive relationship has been observed between psychological empowerment and employees' performance Ke and Zhang (2010).Tuuli and Rowlinson (2009) have shown that psychological empowerment influences performance directly and indirect influence through intrinsic motivation, opportunity and ability to perform. In addition, Holden (2001) has emphasized the role of employee's participation and empowerment in improving performance. In conclusion, management literature is very rich on employee's empowerment and strong proof is found on the positive relationship between employee's empowerment and performance.

2.3 Customer Relationship Management and Profitability

Having looked at the three words: Customer, Relationships, and Management that made the acronym CRM, what then is CRM? CRM is a new concept in marketing, argued to have replaced the database marketing of the 80's. It is a business strategy that aims to understand, anticipate and manage the needs of an organization's current and potential customers. In their own view, Hair et al (2006) defined CRM as a combination of strategic, process, organizational, and technological change where by a company seeks to better manage its own enterprise around customer information. According to the authors, acquiring and deploying knowledge about customers and using this information across all areas of the business is the focus of CRM. Kotler and Keller (2006) see CRM as the process of managing detailed information about individual customers and carefully managing all customer touch points to maximize customer loyalty. A customer touch point according to the authors are any occasion on which a customer encounter the brand and product from actual experience to personal or mass communication to casual observation.

2.3.1 Mechanisms of enhancing Customer Relationship Management

The success of CRM in any organization depends on a number of factors. Several researchers and writers have highlighted some critical issues that underpin successful CRM. Ferrel and Hartline (2005) observe that employees are central to an effective CRM and as such firms must manage its relationships with their employees if they have any hope of fully serving customer needs and that this is especially important in firms where employees are the eyes of customers. In examining further how to make CRM effective, identifies five levels as critical factors for achieving successful CRM. These are managerial commitment, employee commitment, culture change, resources and technology.

The foundation of successful CRM lies in the re-orientation of managerial mindset to a state of commitment that values customers as the central nervous system of organizational survival in the marketplace. However, a successful CRM importantly hinges on the ability of managerial leadership to drive cultural change in an organization into a state where the customer would be seen as a gem in a landmine of competitors and products. In this, managerial echelon of every organization has the responsibility to influence the culture of an organization by communicating their priorities, values and concerns, using their own actions, especially showing loyalty, self - sacrifice and service (Saran et al., 2009) to drive the change agenda.

Ferrel and Hartline (2005) observe that employees are central to an effective CRM and as such firms must manage its relationships with their employees if they have any hope of fully serving customer needs and that this is especially important in firms where employees are the eyes of customers. Ferrel and Hartline therefore underscored that it is the significance of this that BillCooney, Deputy CEO of USAA, American property and casualty insurance firm with over $60 billion asset management portfolio with almost 100% of customer retention and consistently ranked among 100 best companies to work for in United States remarked that:“If you don’t take care of the employees, they cannot take care of the customers. We give employees all they need to be happy and absolutely enthralled to be here. If they are not happy, we will not have satisfied customers in the long run. We must have passion for customers, if we don’t we are in the wrong business’’

Resources also play valuable role towards the realization of organizational goals. In view of this, units and departments within organizations compete for resources such as information, knowledge, personnel and other tangible and intangible assets. Interestingly, units that control resources that are strategic in terms of managing critical relationships between the firm and its environment achieve power within the organization and therefore the firm depends disproportionately for its survival and or success on units that control strategic resources (Mudambi & Pedersen, 2007). In this, critical resources such as information and knowledge necessary for addressing customers problem must not be the preserve of a particular unit but organizations must re-align its internal architecture and leverage such resources across the spectrum of the organization to enable people deal with customer issues promptly

2.3.2 Theories Supporting Customer Relationship Management

2.3.2.1 Institutional Theory

Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding credit reference bureaus and their environment: the organization being dependent on external resources and the organization‘s ability to adapt to or even change its environment (Doug & Scott, 2004).The environment is conceptualized as the ―organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values(Doug & Scott, 2004).

Meyer and Rowan (1991), DiMaggio and Powell (1983) affirm that the institutional environment can strongly dictate the growth of formal structures in an organization, as opposed to market pressures. Innovative structures that advance technical efficiency in early-adopting organizations are legitimized in the environment. Normally, these innovations reach a level of legitimization when failure to adopt them is seen as "irrational and negligent" (or they become legal mandates). In such cases existing organizations adopt the structural form irrespective of whether it improves efficiency.

2.3.2.2 Resource Dependency Theory

The failure of the institutional theory to fully explain the dependency of organization on external resources and the organization‘s ability to adapt to or even change its environment leaves rooms for a better theory, the resource dependency theory. Resource dependence theory has dealt more aggressively with these two issues. It proceeds from the indisputable open-systems proposition that organizations are not able to internally generate all the resources and/or functions required to maintain themselves and therefore must enter into exchange transactions and relations with elements in the environment to ensure a stable flow of resources and services. Further, resource dependence theory provides a wide range of possible adaptation strategies. However, resource dependence theory does not consider the issue of social and cultural mood in the organizational environment, which is an issue that is addressed by institutional theory (Pfeffer and Salancik, 1978).

2.3.3 Effect of Customer Relationship Management and Customer Satisfaction

In comparison to firms that use transactional marketing, firms that implement CRM in their operations are expected to enjoy certain benefits. These benefits include; production of products that match consumer needs to a better degree, create stronger relationship with the customers through customizing products using better customer knowledge. In addition, these firms may also enjoy superior performance and obtain a price premium (Reinartz, Krafft& Hoyer, 2004). Despite the fact that deploying CRM causes firms to incur higher costs, they generate higher profits due to their ability to provide products and services that match customers' needs.

Implementing customer relationship management, Mihelis et al. (2001) as quoted by Onut et al. (2007) considers the use of CRM in the banking sector to focus on the assessment of the al extent of satisfaction and the establishment of customer groups with the unique choices and expectations in the private bank sector. Saleh et al. (2004) cited in Opara (2010) assert that banks have already began the process of deconstructing their business through horizontal process of outsourcing, involving two trends; deconstruction i.e. move away from monolithic organizations that undertake every activities towards networked' models where a number of institutions (technology, communications) combine to deliver the overall offer to customers, centralization or work cross all segment, brands and competence.

According to the academic literature, CRM offers firm strategic benefits which include increased customer satisfaction and allegiance, increased publicity and better feedback to cross selling efforts Kumar and Shah, (2004).Generally, CRM efforts help improve the firms' performance. Boulding and colleagues (2005) observed that CRM potential enhances both firm performance and customer benefits through the double creation of value. According to this view, CRM assists firms to maximize their gains from customers, while customers benefit more as firms meet their specific needs.

CRM’s failures in execution have resulted to uncertainty among managers about its said potential to create firm value in the recent past (Ryals 2005; Zablah, Bellenger, and Johnston (2004). For instance, a case study on one industry showed that the majority of CRM projects never deliverered strategic value due to failure to grow customer loyalty, profits, and revenues (Thompson, 2005). Various articles in the business press show the inability of CRM to execute to generate firm value (Rigby, Reichheld, & Schefter 2002; Whiting, 2001). This report is very disappointing to managers of firms that have implemented CRM or are intending to do so.The managers of firms that provide CRM technology and linked services are concerned by this report. Hence, further research on the impact of CRM on firms’ performance is needed so as to evaluate its efficiency and validate the investment firms have made in this area.

Past studies have examined the impact of CRM on intermediate metrics, such as customer contentment and allegiance (e.g., Jayachandran et al. 2005; Mithas, Krishnan, & Fornell 2005). Nevertheless, the effect of CRM implementation on firm profitability has not been affirmed by most academicians (Kumar, 2008). Moreso, there has never been any examination on the influence of CRM on firm performance using longitudinal data. (Boulding et al., 2005), hence hindering researchers from assessing the causal relationship between CRM and firm profitability.

2.3.4 Effect of Customer Relationship Management and Profitability

Elmuti, Jia and Gray (2009) conducted a study on Customer Relationship Management strategic application and organizational effectiveness show the result from surveyed 500 financial service providers in the United States that 79% of the respondents agreed that the greatest barrier of CRM success comes from lack of leadership and management skill, while 64% of respondents agreed on poor data quality and inadequate data concerning their customer, competitors and markets, and 51% of respondents reported on top management support respectively, Moreover, it is a clearly indicate that most of the organizations were less understanding of the requirements and benefits of CRM by different functional managers in the surveyed firm (Elmuti, Jia & Gray, 2009).

Dickie (2009) noted that widespread use of CRM programs in 1700 companies worldwide had not improved customer satisfaction and retention rates. The author also noted that the companies under studies had spent millions of dollars on Customer relationship management software, structures and process only for hem to achieve non substantial results. Due to these unexpected results, the author suggested that the successes and failures of CRM need to be studies further in order to reduce the level of inconclusiveness on the area and probably come up with an integrated theory of CRM (Thomas & Kumar, 2004).

Krasnikov et al. (2010) noted that there exist no concise relationship between CRM Programs and the level of organization efficiency, which measures how well the organization uses its inputs in producing output. The author used a sample of US commercial banks to check whether there exists a significant relationship between CRM implementation and commercial bank efficiency. The surprising results were against a belief that 70% of CRM expenditure will be justified by the positive results in efficiency (Thompson & Maoz, 2005).

Jitesh et al. (2011) explored the relationship between customer relationship management (CRM) best practices and loyalty of profitable customers in Indian retail banking sector. Their findings reveal that CRM implementation may not lead to improvement in profits at least in the Indian banking context. Their study results is also supported by Leverin and Liljander (2006) who noted that implementation of a relationship marketing strategy in a retail bank may not necessarily increase customer loyalty and this is with respect to the most profitable customer segment.

2.4 Information Technology Deployment and Profitability

Information and Communication Technologies (ICTs) may be viewed in different ways. ICTs is the set of activities and processes which facilitate the electronic processing and transmission of information between the organization and customers. ICT is known to enhance productivity among the branches. For instance, it reduces the face to face interactions and reduces the need of customers to visit the branch and this offers the customer more time to do other activities. Technological innovation such as the use of computer automation and electronic banking influences speed of bank services delivery, enhanced management decision making and saving time (Alu, 2002).

Information and Communication Technology (ICT) provides ATMs, web platforms and mobile platforms which are self service mechanisms and this facilitates online account opening. They help customers authenticate their bank account numbers and get details on when and how to obtain their cheque books, credit and debit cards (Agboola, 2001).

2.4.1 Mechanisms of enhancing Information and Technology

Across time, there has been a rapid change in technology deployment for business and this has been brought about by the highly competitive and innovative business and social environment. Organizations wishing to remain competitive have found ICT to be a crucial element in their operations (Kevin, 2006). ICT has therefore made it possible for organization to survive in a world where deregulation, increased excess capacity, increased competition, changing customer expectations, ICT, social demographic shifts and changing work and lifestyles. ICT has therefore been seen to be a source of competitive advantage in such a turbulent environment (Cravens, 2000).

ICT is clearly considered as a key growth area in this century, specifically, in a dynamic business and highly competition environment which requires utilizing advanced ICT to improve efficiency and cost effectiveness, and to present high quality products and services to their customers (Allen and Morton, 2004). Recently, the term of ICT has expanded to include the role of ICT tools not just inside the company but outside the company, for example, UNDP report, 2001, claimed that ICT is considered as a tool of marketing and contacting customers and looking for possible customers, as well as presenting ICT services is distinguished as a potential service for customers (Werthner& Klein, 2005).

Gholami et al. (2008) notes that Information and Communication Technology is a crucial for globalization, enabling global flow of information, enhancing capital, ideas, people mobility as well as facilitated distribution of products. Doganis, 2001; Werthner & Klein, 2005) have tried to combine the previous definition by considering ICT as a group of elements (hardware, software, and people) that should be working together in the process to present the benefits to the organization in the form of information, product or services and so on. ICT is considered as a subject of expertise that links information technology (computers and applications) and telecommunication networks (intranet and internet), that lets people and computers interrelate irrespective of physical location. Werthner and Klein (2005) conclude that the ICT term contains hardware, software, networks and people that should be integrated as a one unit by linking each one to the other in a clear process to generate the information that helps the decision makers, producing product and services presenting, promotion, controlling and for achieving the organization's aims and goals.

Use of Information technology causes essential changes in the nature and use of technology in business (Gholami et al., 2008). The proliferation of the Internet, as a main stream communication media and as an infrastructure for business transactions has generated a wide range of strategic implications for businesses in general as well as for the travel and airline industries in particular (Li-Hua & Khalil, 2006).

2.4.1.1 Internet Banking

This is giving customers access to their bank accounts via a web site and allow them transact transactions on their account Essinger (1999).Similarly, internet Banking is described as the provision of usual (banking) services over the internet Office of the Comptroller of the Currency (OCC) Internet Banking Handbook (2001). Internet banking gives customers complete control of banking thus making it more convenient and flexible. Service delivery is both transactional (conducting retail banking services) and informational (informing customers on bank's products, etc).

2.4.1.2 Branch Networking and Electronic Funds Transfer at Point of Sale (EFTPoS)

Networking of branches is the interconnection of braches which are geographically scattered with the intent of reducing response time between braches and hence facilitating information sharing and increasing productivity per unit time.

An Electronic Funds Transfer at the Point of Sale is an on-line system that enhances mobilization of clients and send funds directly from their bank accounts to merchant accounts when making purchases (at purchase points). For instance, in Kenya Equity Bank Cash back system uses a debit card to activate an Electronic Fund Transfer Process from Equity bank account the merchants (Chorafas, 1988). This has improved productivity since clerical duties in handling cheques and cash withdrawals are avoided. In addition, such activities continue even after banking hours and this improves productivity.

2.4.2 Theories Supporting Information Technology

2.4.2.1 Agency Theory

Agency theory addresses the Agency issue in which one party (the principal) delegates work to another (the agent), who performs that work (Jensen & Meckling, 1976). There exists an agency relationship between individuals when the actions of one individual affect both his welfare and that of another person in an explicit or implicit contractual relationship. The agent is the individual who undertakes the actions and the principal is the person whose welfare (utility), measured in monetary terms, is affected by the agent's actions (Akaranga, 2010).

The principal's problem is consequently to design an incentive contract that induces the agent to undertake actions that will maximize the principal's welfare. However, both the principal and agent are confronted with uncertainty which appears in various ways. To start with, the principal is not informed about actions undertaken by the agent or information held by the agent. This state of uncertainty, caused by the agent holding information, is termed as asymmetric information (Artley, 2001).

Second, the agent is not sure about the outcomes of his actions. For the principal, this latter phenomenon manifests itself more precisely in the fact that the principal is uncertain about the causality between agent's actions and the outcomes(United Nations, 1999)

ICT deployment may reduce the asymmetric information that leads to agency problems. This state of uncertainty and the resulting state of asymmetric information that exists between the principal and his agent impose certain constraints which complicate the forming of the contract (Akaranga, 2010)

2.4.2.2 Systems Theory

Systems theory springs from biology and its content free and applicable to many fields of study. Systems theory can be defined as a working hypothesis, the main function of which is to provide a theoretical model for explaining, predicting, and controlling phenomenon (Bertalanffy, 1962). System theory may explain the need to deploy an ICT system that would improve the working and coordination between elements in the organization system.

2.4.3 Effect of Information Technology Deployment on Profitability

Adeosun et al. (2009) notes that ICT is a strategic management enabler, facilitates communication, instills collaboration, improves information access, enables decision making, data management and knowledge management in organizations. ICT leads to essential changes in the character and applied use of technology in today's businesses. ICT gives tactical and strategic tools for organizations. If properly used and implemented they can result to great advantages in promoting and strengthening the organization's competitiveness (Buhalis, 2004).

Hengst and Sol (2001)noted that ICT makes it possible for organizations to reduce costs and improve capabilities and this assists he organization to improve on their coordination. Hence, using ICT leads to lowering of coordination costs and improves outsourcing effectiveness in organizations. Ramsey et al. (2003) argued that that organization who deploy ICT are in a position to reap from such activities especially due to reduced transaction costs, information gathering and dissemination, inventory control, and quality control.

For both local and global competitiveness, use of information and communication technology concepts, techniques, policies and implementation strategies to banking services is very key. ICT directly influences decision making for managers. This has led to a continuous change in the way banks and their corporate relationships are controlled worldwide and the range of innovative devices used to improve the speed and quality of service delivery (Agboola, 2004).

2.5 Chapter Summary

In this chapter the study reviewed theoretical literature and empirical literature on the effect of effect of strategic responses on profitability in Bank of Africa. The Chapter reviewed the effect of employee empowerment, customer relationship management and information technology deployment on the profitability of banks.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this study was to establish the strategic responses of banks treasury departments towards competitive environment and effect of strategic responses on profitability in Bank of Africa.

3.2 Research Design

Research design has been defined by various scholars and the definitions seem to move towards the same direction. Lavrakas (2008) and Kothari (2004) define research design as the overall plan for obtaining answers to the questions being studied and for handling some of the difficulties encountered during the research process. It is therefore the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure

This study adopted a descriptive survey design. Descriptive survey is conducted to describe the present situation, what people currently believe, what people are doing at the moment and so forth (Baumgartner, Strong and Hensley 2002). Descriptive survey research aims at producing accurate representation of persons, events and situations and the exploratory research aims at seeking new insights into phenomena, ask questions, and assess the phenomena in a new light (Torochim, 2006, Sekaran, 2006). The descriptive survey research design was preferred as it enables the study to describe the state of affairs as far as strategic responses, employee empowerment, information technology and customer relationship management is concerned.

3.3 Population and Sampling Design

3.3.1 Sampling Design

Nesbary (2007) asserts that a sample is a subset of a population that has been selected to reflect or represent characteristics of a population.

3.3.1.1 Sampling Frame

A simple definition of a sampling frame is asset of source materials from which the sample is selected (Mugenda & Mugenda, 2003). The definition also encompasses the purpose of sampling frames, which is to provide a means for choosing the particular members of the target population that are to be interviewed in the survey (Turner, 2008). The sampling frame of this survey was the list of employees from the Bank of Africa Kenya.

The population of the study was 1040 employees of the Bank of Africa. The sampling frame was the list of employees given by the human resource department of bank of Africa in Kenya as at the close of year 2012.The unit of analysis was the employees.

3.3.1.2 Sampling Technique

A sample design is the architecture or the strategy used to select study participants or respondents (Kothari, 2004). Sampling refers to the systematic selection of a limited number of elements out of a theoretically specified population of elements. The rationale is to draw conclusions about the entire population. The eventual test of a sample design is how well it represents the characteristics of the population it purports to Kothari (2004). The reason for sampling in this study was to lower cost, accessibility of study population and the greater speed of data collection. This study used simple random sampling method on all the employees of bank of Africa Kenya. Simple random sampling was done to identify individual respondents who were issued with a questionnaire to respond to research statements.

3.3.1.3 Sample Size

This study will use simple random sampling to select the respondents. A population size of 1040 employees and a sample size of 81 employees were identified through convenience sampling. Questionnaire was the preferred tool to collect primary data.

3.4 Data Collection Procedure

Burns and Grove (2003) define data collection as the precise, systematic gathering of information relevant to the research sub-problems, using methods such as interviews, participant observations, focus group discussion, narratives and case histories.

The study used a questionnaire as the preferred data collection tool. In addition, they are in immediate usable form. The questionnaire has only close ended questions.

The questionnaire designed in this study comprises of four sections: Demographic Characteristics, profitability, How employee empowerment affects profitability in banks; how customer relationship management affects profitability in banks; how information and technology deployment affects profitability of banks in Kenya.

3.5 Research Procedures

Pilot testing, also known as pre-testing is described as the preliminary application of the data collection technique in order to determine its adequacy (Monette, Sullivan & DeJong, 2002). Some of the reasons for pre-testing include discovering question content, wording and sequencing problems, exploring ways to improve the overall quality of survey data and discovering target question groups where researcher training is required (Cooper and Schindler, 2007).Pilot study has been described by various authors as an exercise that ensures that errors are restricted at a very little cost. Kothari (2004) describes a pilot survey as a replica and a rehearsal of the main survey. Newing (2011) states that the importance of field pilot cannot be over emphasized; you will always find that there are questions that people fail to understand or interpret in different ways, places in the questionnaire where they are not sure where to go next, and questions that turn out simply not to elicit useful information. The subjects participating in the pilot study shall not be included in the final study to avoid survey fatigue. A pilot study was conducted in order to establish the validity and reliability of data collection instruments.

3.5.1 Validity

Validity exists if the data measure what they are supposed to measure. In order to test and enhance the validity of the questionnaire, the researcher selected two senior managers randomly and discusses the contents of the questionnaire. This aimed to assess the content validity of the questionnaire. The comments from the two senior managers was reviewed and incorporated to enhance the validity of the questionnaire.

3.5.2 Reliability

Reliability is the regularity of a set of measurement items (Cronbach, 1951). It is the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the repeatability of measurement. A measure is said to be reliable if a person's score on the same test given twice is similar. Ten questionnaires were piloted by issuing them to employees who were not included in the final study sample. The ten questionnaires were then coded and responses input into SPSS which was used to generate the reliability coefficient. The researcher used the most common internal reliability measure known as Cronbach’s Alpha (α) which will be generated by SPSS. It indicates the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 1951). The recommended value of 0.7 was used as a cut–off of reliability for this study.

3.6 Data Analysis and Presentation

Data was analyzed using quantitative method which include descriptive and inferential statistics. The data results required quantitative interpretation thus necessitating the use of quantitative methods for data analysis was. For instance, descriptive statistics included frequencies and measures of tendency(means and frequencies. Descriptive statistics are used to describe the basic features of the data in a study or survey Trochim (2006). They provide simple summaries about the sample and the measures. Together with simple graphics analysis, they form the basis of virtually every quantitative analysis of data.

Inferential statistics included correlation analysis. The tool for data analysis was Statistical Package for Social Sciences (SPSS) version 20 program. The results were presented using tables and pie charts to give a clear picture of the research findings

3.7 Chapter Summary

Chapter Three discussed the steps that were taken during data collection. It specifically described the research design and gave details as to why that specific design was preferred. In addition, it pinpoints the population, the sampling frame and the actual sample size. A population size of 1040 employees and a sample size of 81 employees were identified through convenience sampling. Questionnaire was used to collect primary data. SPSS 20was the tool through which data was converted into percentages and correlation analysis executed. Three questionnaires were issued in every branch to the operation manager, branch manager and supervisor.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presented the results and findings. A total of 68responses/Questionnaires were received out of a possible 81 Questionnaires. This translates to a response rate of 84%. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of 50 % or more is ideal for data analysis. Babbie (2004) also asserted that return rate of 50% is acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions from renowned scholars 84% response rate is adequate for the study

4.2 General Information

This section presents the general information of the respondents such as gender, level of education and length of employment.

4.2.1 Gender of the Respondents

The study sought to find out the gender of the respondents. The majority of the respondents were male (66%) followed by female (34%). The findings are presented in Figure 4.1. The findings imply that the bank is a male dominated field. According to Ellis, Cutura, Dione, Gillson, Manuel and Thongori (2007), in spite of women being major actors in Kenya’s economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 74%:26%.

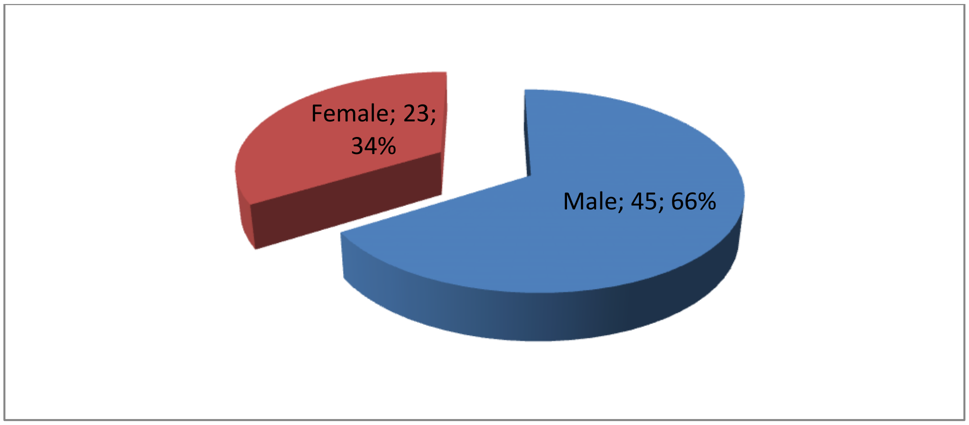

Figure 4.1: Gender of the Respondents

4.2.2 Level of Education

The study sought to find out about the education level of the respondents. Study findings in Figure 4.2 indicate that 82% of the respondents had attained university level or post graduate level of which 59% had reached university level. The findings imply that the respondents had high level of education in this sector and perhaps this observed level of education may have had a bearing on the quality of our responses.

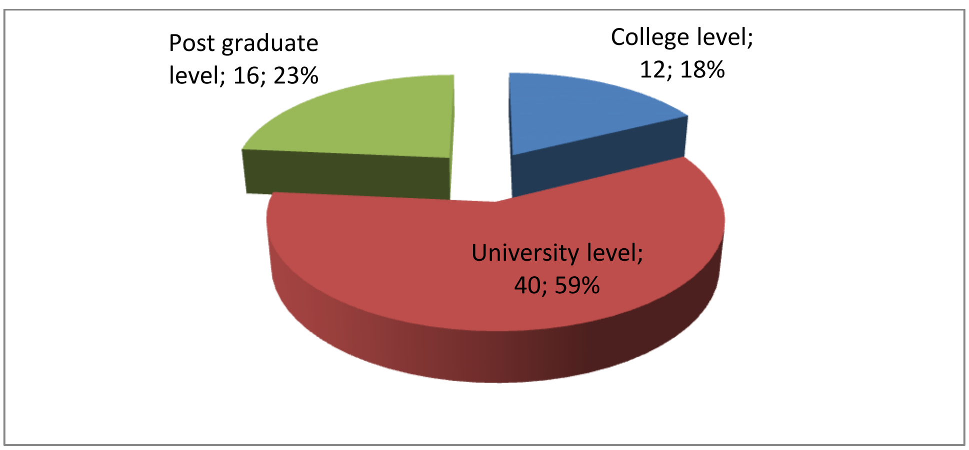

Figure 4.2: Level of Education

4.2.3 Length of Employment

The study sought to find out the number of years that the respondents had been in current employment. Figure 4.3 indicated that a majority of employees (65%) had worked for a period between 6 to 10 years and 20% had worked for a period between 2 to 5 years. The finding implies that the respondents were appropriate and may impact positively on the coherence of the data obtained as they had worked for the Banks long enough for them to be well aware of the effects of strategic responses on profitability of the banks under study.

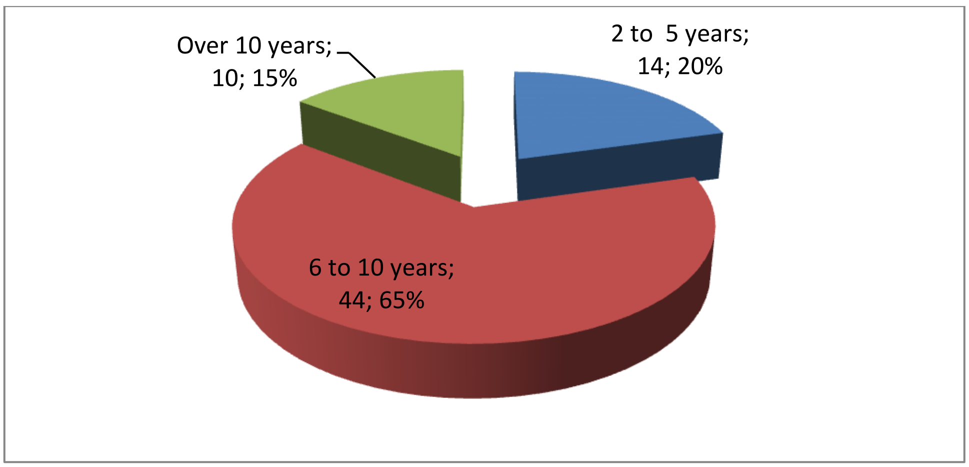

Figure 4.3: Years of Service

4.3 Profitability of Banks

The study sought to determine the profitability of banks. The results were presented as follows.

4.3.1 Increase of Employees

The respondents were asked if the bank has experienced an increase in employees over the last 5 years. A majority (48.5%) agreed while another 23.5% strongly agreed bringing to a total of (72%) of those who agreed. fourteen point seven percent strongly disagreed, 10.3% disagreed and 2.9% were neutral. The results are presented in Table 4.1.

Table 4.1: Increase of Employees

Statement		Frequency	Percent
The bank has experienced an increase in employees over the last 5 years	Strongly disagree	10	14.7%
	Disagree	7	10.3%
	Neutral	2	2.9%
	Agree	33	48.5%
	Strongly agree	16	23.5%

4.3.2 Increased Profitability

The respondents were asked to indicate if the bank's profitability has increased over the last five years. Forty eight point five percent of the respondents strongly agreed while 30.9% agreed bringing to a total of 79.4% agreed. Ten point three percent strongly disagreed, 4.4% disagreed and 5.9% were neutral. Results are presented in Table 4.2 below.

Table 4.2: Increased Profitability

Statement		Frequency	Percent
The bank's profitability has increased over the last five years	Strongly disagree	7	10.3%
	Disagree	3	4.4%
	Neutral	4	5.9%
	Agree	21	30.9%
	Strongly agree	33	48.5%

4.3.3 Better Profitability than Peers

The study sought to find out whether the bank profitability is better compared to its peers, 51.5% strongly agreed while 35.3% agreed bringing to a total of 86.8% of those who agreed that the bank's profitability is better compared to peers. Seven point four strongly disagreed, 1.5% disagreed and 4.4% were neutral. The results are presented in Table 4.3.

Table 4.3: Better Profitability than Peers

Statement		Frequency	Percent
The bank profitability is better compared to peers	Strongly disagree	5	7.4%
	Disagree	1	1.5%
	Neutral	3	4.4%
	Agree	24	35.3%
	Strongly agree	35	51.5%

4.3.4 Profit is a Key Indicator of Performance

The respondents were asked if profit was a key indicator of performance in their bank. A majority (60.3%) agreed and another 35.3% strongly agreed bringing to a total of 95.6% of those who agreed. Two point nine percent of the respondents were neutral and 1.5% disagreed. The study findings are presented in table 4.4.

Table 4.4: Profit is a Key Indicator of Performance

Statement		Frequency	Percent
Profit is a key indicator of performance in our bank	Strongly disagree	1	1.5%
	Disagree	0	0.0%
	Neutral	2	2.9%
	Agree	41	60.3%
	Strongly agree	24	35.3%

4.3.5 Profitability and Market Share

The respondents were asked to indicate whether the bank profitability has led to an increase in the market share of the firm. A majority of 55.9% of the respondents agreed and another 22.1% strongly agreed bringing to a total of 78% of the respondents of those who agreed, 8.8% strongly disagreed while 8.8% disagreed and 4.4% were neutral. The results are presented in Table 4.5 below.

Table 4.5: Profitability and Market Share

Statement		Frequency	Percent
The bank profitability has led to an increase in the market share of the firm	Strongly disagree	6	8.8%
	Disagree	6	8.8%
	Neutral	3	4.4%
	Agree	38	55.9%
	Strongly agree	15	22.1%

4.3.6 Profitability and Dividends

The respondents were asked to indicate if the bank profitability has led to an increase in the dividends in the firm, a majority (52.9%) of the respondents agreed and another 25% strongly agreed bringing to a total of 77.9% of those who agreed. Ten point three percent disagreed while 7.4% strongly disagreed and 4.4% of the respondents were neutral. The results are presented in Table 4.6

Table 4.6: Profitability and Increased Dividends

Statement		Frequency	Percent
The bank profitability has led to an increase in the dividends in the firm	Strongly disagree	5	7.4%
	Disagree	7	10.3%
	Neutral	3	4.4%
	Agree	36	52.9%
	Strongly agree	17	25.0%

4.3.7 Marketing Strategies Put in Place

The respondents were asked to indicate whether the bank has put in place marketing strategies to increase the profits of the bank, forty five point six of the respondents agreed and another 35.3% strongly agreed bringing to a total of 80.9% of those who agreed. Five point nine percent strongly disagreed, while another 5.9% disagreed and 7.4% were neutral. The results are presented in Table 4.7

Table 4.7: Marketing Strategies Put in Place

Statement		Frequency	Percent
The bank has put in place marketing strategies to increase the profits of the bank	Strongly disagree	4	5.9%
	Disagree	4	5.9%
	Neutral	5	7.4%
	Agree	31	45.6%
	Strongly agree	24	35.3%

4.4 Employee Empowerment Strategy and Profitability

The first objective of the study was to investigate the effect of employee empowerment strategy on the profitability of Bank of Africa. The results were presented as follows.

4.4.1 Induction Training

The respondents were asked to indicate whether every new employee receives induction training, 54.4% of the respondents strongly agreed and 26.5% agreed bringing to a total of 80.9% of those who agreed. Thirteen point two percent disagreed while 1.5% strongly disagreed and 4.4% of the respondents were neutral. The results are presented in table 4.8 below.

Table 4.8: Induction Training

Statement		Frequency	Percent
Every new employee receives induction training	Strongly disagree	1	1.5%
	Disagree	9	13.2%
	Neutral	3	4.4%
	Agree	18	26.5%
	Strongly agree	37	54.4%

4.4.2 Learning about the Duties of the Job is Included in the Induction Training

The respondents were asked if learning about the duties of the job was included in the induction training, forty four percent of the respondents agreed and another 22.1% strongly agreed bringing to a total of 66.2% of those who agreed. Nineteen point one percent of the respondents disagreed while 5.9% strongly disagreed and 8.8% of the respondents were neutral. Results are presented in table 4.9 below.

Table 4.9: Learning about the Duties of the Job

Statement		Frequency	Percent
Learning about the duties of the job is included in the induction training	Strongly disagree	4	5.9%
	Disagree	13	19.1%
	Neutral	6	8.8%
	Agree	30	44.1%
	Strongly agree	15	22.1%

4.4.3 On the Job Training

The respondents were asked to indicate if on the job training was important and effective in improving employee performance. Table 4.10 indicates that 44.1% of the respondents strongly agreed and another 30.9% agreed bringing to a total of 75% of those who agreed. Ten point three percent of the respondents disagreed while 8.8% strongly disagreed and 5.9% were neutral. Results are presented in Table 4.10 below.

Table 4.10: On the Job Training

Statement		Frequency	Percent
On the job training is important and effective in improving employee performance	Strongly disagree	6	8.8%
	Disagree	7	10.3%
	Neutral	4	5.9%
	Agree	21	30.9%
	Strongly agree	30	44.1%

4.4.4 Compensation Package

The study sought to find out whether the employees were satisfied with the compensation package offered in the bank. A majority (54.4%) of the respondents strongly agreed and another 26.5% agreed bringing to a total of 80.9% of those who agreed, 7.4% strongly disagreed and another 7.4% disagreed. Only 4.45 of the respondents were neutral. Results are presented in Table 4.11 below.

Table 4.11: Compensation Package

Statement		**Frequency**	**Percent**
Employees' are satisfied with the compensation package offered in the bank	Strongly disagree	5	7.4%
	Disagree	5	7.4%
	Neutral	3	4.4%
	Agree	18	26.5%
	Strongly agree	37	54.4%

4.4.5 Satisfaction with Reward Motivation

The respondents were asked to indicate if the employees' are satisfied on reward motivation granted by the bank, forty two point six percent of the respondents agreed and another 42.6% strongly agreed bringing to a total of 85.2% of those who agreed. Ten point three percent of the respondents were neutral and only 4.4% disagreed. Results are presented in table 4.12 below.

Table 4.12: Employee Satisfaction on Reward Motivation

Statement		**Frequency**	**Percent**
Employees' are satisfied on reward motivation granted by the bank	Strongly disagree	0	0.0%
	Disagree	3	4.4%
	Neutral	7	10.3%
	Agree	29	42.6%
	Strongly agree	29	42.6%

4.4.6 Employee Satisfaction on Working Environment

The study sought to find out if the employees' are satisfied on working environment and opportunities offered in the bank, thirty six point eight percent of the respondents agreed and another 36.8% strongly agreed bringing to a total of 73.6% of those who agreed. Seventeen point six percent of the respondents disagreed and 8.8% were neutral. Results are presented on Table 4.13 below.

Table 4.13: Employee Satisfaction on Working Environment

Statement		Frequency	Percent
Employees' are satisfied on working environment and opportunities offered in the bank	Strongly disagree	0	0.0%
	Disagree	12	17.6%
	Neutral	6	8.8%
	Agree	25	36.8%
	Strongly agree	25	36.8%

4.5 Customer Relationship Management and Profitability

The second objective of the study was to determine to what extent customer relationship management strategy affects the profitability of Bank of Africa. The results were presented as follows.

4.5.1 CRM strategy enables the banks to analyze the customer profiles

The study sought to find out whether the CRM strategy enables the banks to analyze the customer profiles, thirty six point eight percent of the respondents agreed and another 35.3% strongly agreed bringing to a total of 72.1% of those who agreed, 14.7% disagreed and 10.3% were neutral. Only 2.9% of the respondents strongly disagreed. Results are presented on Table 4.14 below.

Table 4.14: CRM strategy enables the banks to analyze the customer profiles

Statement		Frequency	Percent
CRM strategy enables the banks to analyze the customer profiles	Strongly disagree	2	2.9%
	Disagree	10	14.7%
	Neutral	7	10.3%
	Agree	25	36.8%
	Strongly agree	24	35.3%

4.5.2 Identification of Most Profitable Customers

The respondents were asked if CRM strategy helps banks to identifying the banks most profitable customer and prospects. A majority (54.4%) of the respondents strongly agreed and another 35.3% agreed bringing to a total of 89.7% of those who agreed, 5.9% were neutral and 2.9% disagreed. Results are presented in table 4.15 below.

Table 4.15: Identification of Most Profitable Customers

Statement		Frequency	Percent
CRM strategy helps banks to identifying the banks most profitable customer and prospects	Strongly disagree	1	1.5%
	Disagree	2	2.9%
	Neutral	4	5.9%
	Agree	24	35.3%
	Strongly agree	37	54.4%

4.5.3 Better Customer Service

The study sought to find out if CRM enables the bank to provide better customer service to their clients, 39.7% of the respondents agreed and another 29.4% agreed bringing to a total of 69.1% of those who agreed, 14.7% strongly disagreed and 11.8% disagreed. Only 4.4% of the respondents were neutral. The study findings are presented in table 4.16 below.

Table 4.16: Better Customer Service

Statement		Frequency	Percent
CRM enables the bank to provide better customer service	Strongly disagree	10	14.7%
	Disagree	8	11.8%
	Neutral	3	4.4%
	Agree	27	39.7%
	Strongly agree	20	29.4%

4.5.4 CRM Enables the Bank Make Call Centers more Efficient

The respondents were asked to indicate if CRM enables the bank make call centers more efficient, a majority (54.4%) of the respondents agreed and another 26.5% strongly agreed bringing to a total of 80.9% of those who agreed. Eight point eight percent of the respondents disagreed while 5.9% were neutral and 4.4% strongly disagreed. Results are presented in Table 4.17 below.

Table 4.17: CRM Enables the Bank Make Call Centers more Efficient

Statement		**Frequency**	**Percent**
CRM enables the bank make call centers more efficient	Strongly disagree	3	4.4%
	Disagree	6	8.8%
	Neutral	4	5.9%
	Agree	37	54.4%
	Strongly agree	18	26.5%

4.5.5 CRM Enables the Bank and Help Sales Staffs Close Deal Faster

The respondents were asked to indicate whether CRM enables the bank and help sales staffs close deal faster. A majority of 44.1% of the respondents strongly agreed and another 39.7% agreed bringing to a total of 83.8% of those who agreed, 11.8% disagreed and 4.4% of the respondents were neutral. Table 4.18 presents the study findings.

Table 4.18: CRM Enables the Bank and Help Sales Staffs Close Deal Faster

Statement		**Frequency**	**Percent**
CRM enables the bank and help sales staffs close deal faster	Strongly disagree	0	0.0%
	Disagree	8	11.8%
	Neutral	3	4.4%
	Agree	27	39.7%
	Strongly agree	30	44.1%

4.5.6 Discovery of New Customers and Increased Revenue

The respondents were asked to indicate if CRM enables the bank discover new customers, and increase customer's revenues. Forty five point six percent of the respondents agreed and another 35.3% strongly agreed bringing to a total of 80.9% of those who agreed, 10.3% disagreed and 7.4% were neutral. Only 1.5% of the respondents strongly disagreed. Table 4.19 presents the results.

Table 4.19: Discovery of New Customers and Increased Revenue

Statement		Frequency	Percent
CRM enables the bank discover new customers, and increase customer's revenues	Strongly disagree	1	1.5%
	Disagree	7	10.3%
	Neutral	5	7.4%
	Agree	31	45.6%
	Strongly agree	24	35.3%

4.5.7 Customer Profile Analysis

The study sought to find out if CRM strategy enables the banks to analyze the customer profiles, 44.1% of the respondents strongly agreed and another 29.4% agreed bringing to a total of 73.5% of those who agreed. Sixteen point two percent of the respondents disagreed while 4.4% strongly disagreed and 5.9% of the respondents were neutral. Results are presented in Table 4.20.

Table 4.20: Customer Profile Analysis

Statement		Frequency	Percent
CRM strategy enables the banks to analyze the customer profiles	Strongly disagree	3	4.4%
	Disagree	11	16.2%
	Neutral	4	5.9%
	Agree	20	29.4%
	Strongly agree	30	44.1%

4.6 Information Technology Deployment Strategy and Profitability

The third objective of the study was to determine to what extent information technology deployment strategy affects the profitability of Bank of Africa. The results were presented as follows.

4.6.1 Bank has invested Heavily in an ATM Network

The study sought to find out whether the bank has invested heavily in an ATM network, 32.4% of the respondents strongly agreed and another 29.4% agreed bringing to a total of 61.8% of those who agreed. Seventeen point six percent disagreed while 16.2% were neutral and 4.4% strongly disagreed. Results are presented on Table 4.21 below.

Table 4.21: Bank has invested Heavily in an ATM Network

Statement		Frequency	Percent
The bank has invested heavily in an ATM network	Strongly disagree	3	4.4%
	Disagree	12	17.6%
	Neutral	11	16.2%
	Agree	20	29.4%
	Strongly agree	22	32.4%

4.6.2 Bank has invested Heavily in Internet Banking

The respondents were asked to indicate whether the bank has invested heavily in internet banking. A majority (63.2%) of the respondents strongly agreed and another 29.4% agreed bringing to a total of 92.6% of those who agreed, 4.4% were neutral and 2.9% of the respondents disagreed. Results are presented in Table 4.22.

Table 4.22: Bank has invested Heavily in Internet Banking

Statement		Frequency	Percent
The bank has invested heavily in internet banking	Strongly disagree	0	0.0%
	Disagree	2	2.9%
	Neutral	3	4.4%
	Agree	20	29.4%
	Strongly agree	43	63.2%

4.6.3 Bank Management Information System Compatibility

The respondents were asked to indicate whether the core banks management information system was compatible with other systems, a majority (57.4%) of the respondents strongly agreed and another 38.2% agreed bringing to a total of 95.6% of those who agreed. Only 4.4% of the respondents were neutral none of the respondents disagreed. Results are presented in Table 4.23 below.

Table 4.23: Bank Management Information System Compatibility

Statement		Frequency	Percent
The core banks management information system is compatible with other systems	Strongly disagree	0	0.0%
	Disagree	0	0.0%
	Neutral	3	4.4%
	Agree	26	38.2%
	Strongly agree	39	57.4%

4.6.4 Bank Management Information System Flexibility

The respondents were asked to indicate whether the management information system was flexible enough to supports the growth of the bank, a majority (55.9%) agreed and another 20.6% strongly agreed bringing to a total of 76.5% of those who agreed. Fourteen point seven percent disagreed while 5.9% strongly disagreed and 2.9% were neutral. Results are presented in table 4.24 below.

Table 4.24: Bank Management Information System Flexibility

Statement		Frequency	Percent
The management information system is flexible enough to supports the growth of the bank	Strongly disagree	4	5.9%
	Disagree	10	14.7%
	Neutral	2	2.9%
	Agree	38	55.9%
	Strongly agree	14	20.6%

4.6.5 Management Information System in Assisting Employees

The respondents were asked to indicate if the management information system of the bank has been crucial in assisting employees to enhance their performance and productivity. A majority (58.8%) of the respondents agreed and another 25% strongly agreed bringing to a total of 83.8% of those who agreed, 7.45 disagreed while 4.4% strongly disagreed and another 4.4% of the respondents were neutral. Table 4.25 presents the findings.

Table 4.25: Management Information System in Assisting Employees

Statement		Frequency	Percent
The management information system of the bank has been crucial in assisting employees to enhance their performance and productivity	Strongly disagree	3	4.4%
	Disagree	5	7.4%
	Neutral	3	4.4%
	Agree	40	58.8%
	Strongly agree	17	25.0%

4.6.6 Management Information System Ease of Use

The respondents were asked to indicate if the bank has invested in a management information system which is easy to use, 58.8% of the respondents agreed and another 23.5% strongly agreed bringing to a total of 82.3% of those who agreed. Seven point four percent of the respondents disagreed while 5.9% were neutral and 4.4% of the respondents strongly disagreed. Results are presented in Table 4.26 below.

Table 4.26: Management Information System Ease of Use

Statement		Frequency	Percent
The bank has invested in a management information system which is easy to use	Strongly disagree	3	4.4%
	Disagree	5	7.4%
	Neutral	4	5.9%
	Agree	40	58.8%
	Strongly agree	16	23.5%

4.6.7 Management Information System and Minimization of Administrative Costs

The respondents were asked to indicate if the bank has invested in a management information system which has enabled the minimization of administrative costs. A majority (63.2%) of the respondents agreed and 22.1% strongly agreed bringing to a total of 85.3% of those who agreed, 8.8% disagreed and 5.9% of the respondents were neutral. Results are presented in Table 4.27 below.

Table 4.27: Management Information System and Minimization of Administrative Costs

Statement		Frequency	Percent
The bank has invested in a management information system which has enabled the minimization of administrative costs	Strongly disagree	0	0.0%
	Disagree	6	8.8%
	Neutral	4	5.9%
	Agree	43	63.2%
	Strongly agree	15	22.1%

4.7 Inferential Statistics

This section presents the correlation and regression analysis.

4.7.1 Bivariate Correlation

The correlation results between banks profitability and independent variable are presented. Table 4.28 displays the results of correlation test analysis between the dependent variable (profitability) and independent variables (empowerment, customer relationship management and information technology) and also correlation among the independent variables themselves. Results on Table 4.28 show that bank profitability is positively correlated with all the independent variables. This reveals that any positive change in employee empowerment, CRM and information technology deployment led to increased profitability of bank.

Table 4.28: Bivariate Correlation

Variable		**Profitability**	**Empowerment**	**CRM**	**Information**
Profitability	Pearson Correlation	1			
	Sig. (2-tailed)				
Empowerment	Pearson Correlation	0.85	1		
	Sig. (2-tailed)	0.000			
CRM	Pearson Correlation	0.653	0.649	1	
	Sig. (2-tailed)	0.000	0.000		
Information	Pearson Correlation	0.82	0.806	0.558	1
	Sig. (2-tailed)	0.000	0.000	0.000	

4.7.2 Regression Analysis

In order to establish the statistical significance of the independent variables on the dependent variable (profitability) regression analysis was employed. The regression equation took the following form.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$

Where

Y = Bank Profitability

X_1 = Empowerment

X_2 = Customer Relationship Management

X_3 = Information Technology

In the model, β_0 = the constant term while the coefficient β_ii= 1….3 was used to measure the sensitivity of the dependent variables (Y) to unit change in the predictor variables. μ is the error term which captures the unexplained variations in the model.

Regression analysis was conducted to empirically determine whether employee empowerment, CRM and information technology deployment were significant determinant of banks profitability. Regression results in Table 4.29 show that the coefficient of determination also called the R square is 78.7%. This means that the combined effect of the predictor variables (employee empowerment, CRM and information technology deployment) explains 78.7% of the variations in banks profitability. The correlation coefficient or R of 88.7% indicates that the combined effect of the predictor variables has a strong and positive correlation with bank profitability.

Table 4.29: Regression Model Fitness

Indicator	Coefficient
R	0.887
R Square	0.787
Std. Error of the Estimate	0.18895

Analysis of variance (ANOVA) on Table 4.30 shows that the combined effect of employee empowerment, CRM and information technology deployment was statistically significant in explaining changes in profitability of the bank. This is demonstrated by a p value of 0.000 which is less that the acceptance critical value of 0.05.

Table 4.30: ANOVA

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.454	3	2.818	78.933	0.000
Residual	2.285	64	0.036		
Total	10.739	67			

Table 4.31 displays the regression coefficients of the independent variables. The results reveal that employee empowerment, CRM and information technology deployment are statistically significant in explaining banks profitability. Regression results indicate that employee

empowerment and profitability had a positive and significant relationship (beta=0.409, p value 0.000). The findings imply that an increase in employee empowerment practices by one unit leads to an increase in banks profitability by 0.409 units. Results further indicate that CRM and banks profitability had a positive and significant relationship (beta=0.115, p value 0.049). The findings imply that an increase in customer relationship management by one unit leads to an increase in banks profitability by 0.115 units.

Finally, the results indicate that information technology and profitability had a positive and significant relationship (beta=0.329, p value 0.000). The findings imply that an increase in information technology deployment strategy by one unit leads to an increase in banks profitability by 0.329 units.

Table 4.31: Regression Coefficients

Variable	Beta	Std. Error	t	Sig.
Constant	0.522	0.224	2.33	0.023
Empowerment	0.409	0.096	4.247	0.000
CRM	0.115	0.057	2.008	0.049
Information	0.329	0.087	3.785	0.000

4.8 Chapter Summary

The chapter presented the results of the study. Specifically, the chapter conducted descriptive and inferential analysis on the study variables in an effort to arrive at answers to research questions. The study found that employee empowerment, customer relationship management and information technology deployment strategies were highly used in the bank. It was also discovered that banks profitability was highly emphasized in banks. The study also noted that there existed positive and significant correlations between employee empowerment, customer relationship management, information technology deployment and profitability.

CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The purpose of this chapter is to discuss and summarize the findings of the study and finally give conclusions and recommendations for improvement or practice. This will be done with justification from the data that was collected and analyzed.

5.2 Summary

The general objective of this study was to determine the effect of strategic responses of banks treasury departments on the profitability in Bank of Africa. The specific objectives of this study were to determine the effect of Employee empowerment strategy on the profitability of Bank of Africa, to determine the extent which customer relationship management strategy affect the profitability of Bank of Africa and to determine the effects of Information Technology Deployment strategy on the profitability of Bank of Africa in Kenya.

For purposes of collecting primary data, the use of a questionnaire developed by the researcher was used and their results analyzed using various statistical methods such as graphs, charts and with the aid of statistical tools such as Microsoft Excel and SPSS. A population size of 1040 employees and a sample size of 81 employees was identified through convenience sampling. A response rate of 68 (84%) was achieved out of a possible 81 questionnaires handed out. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of 50 % or more is ideal for data analysis. Babbie (2004) also asserted that return rate of 50% is acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions from renown scholars 84% response rate is adequate for the study.

The study finding indicated that majority of the respondents were male (66%) followed by female (34%), results also indicated that 82% of the respondents had attained university level or post graduate level of which 59% had reached university level and results revealed that 65% of the respondents had worked for a period between 6 to 10 years while 20% had worked for a period between 2 to 5 years.

One of the study objectives was to determine the effect of employee empowerment strategy on the profitability of Bank of Africa. Results indicated that majority of the respondents agreed with the statements that every new employee receives induction training, learning about the duties of the job was included in the induction training, on the job training was important and effective in improving employee performance, employees were satisfied with the compensation package offered in the bank, employees' are satisfied on reward motivation granted by the bank and employees' are satisfied on working environment and opportunities offered in the bank. This implied that employee empowerment strategy was emphasized in the bank. The relationship between employee empowerment strategy and profitability is positive and significant ($r=0.850$, $p<0.01$). This implies that an increase in the effectiveness of employee empowerment practices influences the bank's profitability positively.

The second objective of the study was to determine to what extent customer relationship management strategy affects the profitability of Bank of Africa. The study findings indicated that majority of the respondents agreed with the statements that CRM strategy enables the banks to analyze the customer profiles, CRM strategy helps banks to identifying the banks most profitable customer and prospects, CRM enables the bank to provide better customer service to their clients, CRM enables the bank make call centers more efficient, CRM enables the bank and help sales staffs close deal faster, CRM enables the bank discover new customers, and increase customer's revenues and CRM strategy enables the banks to analyze the customer profiles. The relationship between CRM strategy and profitability is positive and significant ($r=0.653$, $p<0.01$). This implies that an increase in the effectiveness of customer relationship management practices influences the bank's profitability positively.

The third objective of the study was to determine to what extent information technology deployment strategy affects the profitability of Bank of Africa. Results indicated that majority of the respondents agreed with the statements that the bank has invested heavily in an ATM network, the bank has invested heavily in internet banking, the core banks management information system was compatible with other systems, the management information system was flexible enough to supports the growth of the bank, the management information system of the bank has been crucial in assisting employees to enhance their performance and productivity, the bank has invested in a management information system which is easy to use and the bank has invested in a management information system which has enabled the minimization of administrative costs. The relationship between information technology deployment strategy and profitability is positive and significant ($r=0.653$, $p<0.01$). This implies that an increase in the effectiveness of information technology management practices influences the bank's profitability positively.

5.3 Discussion

This section presents the discussion of the key findings of the study based on the already reported research questions**.**

5.3.1 Employee Empowerment and Profitability

One of the study objectives was to determine the effect of employee empowerment strategy on the profitability of Bank of Africa. Results indicated that majority of the respondents agreed with the statements that every new employee receives induction training, learning about the duties of the job was included in the induction training, on the job training was important and effective in improving employee performance, employees were satisfied with the compensation package offered in the bank, employees' are satisfied on reward motivation granted by the bank and employees' are satisfied on working environment and opportunities offered in the bank. This implied that employee empowerment strategy was emphasized in the bank. The relationship between employee empowerment strategy and profitability is positive and significant ($r=0.850$, $p<0.01$). This implies that an increase in the effectiveness of employee empowerment practices influences the bank's profitability positively.

The findings concur with those in Harter et al. (2002), who carried out a metal analysis of studies formerly conducted by The Gallup Organization. The study scrutinized employee job satisfaction sentiments and employee engagement. Employee engagement refers to individual's engagement as well as interest for work. Out of 7,939 business units in 36 organizations, the researchers found positive and substantive correlations between employee satisfaction and employee engagement. In addition, the business unit outcomes of productivity, profit, and employee turnover and customer satisfaction had increased.

The findings also agree with those in Schneider et al. (2003) who explored the relationships between several facets of employee satisfaction organizational financial (return on assets; ROA) market performance (earnings per share; EPS) using data from 35 organizations over a period of eight years. Schneider and his colleagues' study were able to make some inferences about directional causality (that is, are employee attitudes a stronger cause of organizational performance than the reverse). Their results showed consistent and statistically significant positive relationships (over varied time lags) between attitudes concerning satisfaction with security, satisfaction with pay, overall job satisfaction with financial (ROA) market performance (EPS).

The findings concur with those in Gallup Organization (2004) which noted that there exit crucial linkages between employee engagement, customer love and loyalty to organization products, organization growth and business profitability. The study by Gallup Organization (2004) compared bottom 25 percent and top 25 percent stores in terms of employee engagement, customer love and loyalty. The used a set of growth indicators such as sales, customer complaints and turnover and concluded that stores in the bottom 25 percent had underperformed significantly in the three indicators of growth, that is, sales, customer complaints and turnover. The international Survey Research (ISR) 2005) also found corroborating evidence of the link between employee empowerment, employee engagement, customer loyalty and business growth and profitability and this implied that organization can only reach their full growth potential by emotionally engaging employees and customer(ISR, 2005).

The findings also agree with those in Ott(2007) corroborated the work of Gallup Organization (2004) and noted that publicly traded organization with highly empowered and engaged employees were also likely to have high Earning Per Share (EPS). The reliability of such findings was enhanced through controlling for industry variability by comparing each company with its competitor in the same industry. In addition, patterns of EPS across time were identified so as to remove outliers as would have been the case if observations were only for one year.

5.3.2 Customer Relationship Management and Profitability

The second objective of the study was to determine to what extent customer relationship management strategy affects the profitability of Bank of Africa. The study findings indicated that majority of the respondents agreed with the statements that CRM strategy enables the banks to analyze the customer profiles, CRM strategy helps banks to identifying the banks most profitable customer and prospects, CRM enables the bank to provide better customer service to their clients, CRM enables the bank make call centers more efficient, CRM enables the bank and help sales staffs close deal faster, CRM enables the bank discover new customers, and increase customer's revenues and CRM strategy enables the banks to analyze the customer profiles. The relationship between CRM strategy and profitability is positive and significant ($r=0.653$, $p<0.01$). This implies that an increase in the effectiveness of customer relationship management practices influences the bank's profitability positively.

The find agree with those in Onutetal (2007) who noted that today, majority of the businesses such as insurance companies, banks and other service providers have discovered the need for customer relationship management and its potential to assist them attain new customers, retain the existing ones and their life time value In the words of Joyner (2002) as quoted by Pokharel (2011) states that, the banking industry is facing an ever increasing level of competition around the world as the dynamics of the business change. Technology, commoditization, deregulation and globalization forever change the face of the bank. Banks have understood the need to capitalize on the new technologies to gain advantage in the competition by exploiting their customer base, brand value and costly infrastructure investments in order to increase profits as there is a direct link between the customer satisfaction and the profitability

The finding compare well with those in Mihelis etal, (2001) who notes that implementing customer relationship management considers the implementation of CRM in the banking sector to be focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with the distinctive preferences and expectations in the private bank sector. The finding compare well with those in Salehetal (2004) cited in Opara

(2010) who assert that banks have already began the process of deconstructing their business through horizontal process of outsourcing, involving two trends; deconstruction i.e. move away from monolithic organizations that undertake every activities towards networked' models where a number of institutions (technology, communications) combine to deliver the overall offer to customers, centralization or work cross all segment, brands and competence. This has resulted to competitive advantage, increased profitability and performance of these firms.

The findings are inconsistent with those in Elmuti, Jia and Gray (2009) who conducted a study on Customer Relationship Management strategic application and organizational effectiveness show the result from surveyed 500 financial service providers in the United States that 79% of the respondents agreed that the greatest barrier of CRM success comes from lack of leadership and management skill, while 64% of respondents agreed on poor data quality and inadequate data concerning their customer, competitors and markets, and 51% of respondents reported on top management support respectively, Moreover, it is a clearly indicate that most of the organizations were less understanding of the requirements and benefits of CRM by different functional managers in the surveyed firm (Elmuti, Jia and Gray, 2009).

The findings disagree with those in Dickie (2009) which noted that widespread use of CRM programs in 1700 companies worldwide had not improved customer satisfaction and retention rates. The author also noted that the companies under studies had spent millions of dollars on Customer relationship management software, structures and process only for them to achieve non substantial results. Due to these unexpected results, the author suggested that the successes and failures of CRM need to be studies further in order to reduce the level of inconclusiveness on the area and probably come up with an integrated theory of CRM

The findings disagree with those in Krasnikov et al. (2010) which noted that there exist no concise relationship between CRM Programs and the level of organization efficiency, which measures how well the organization uses its inputs in producing output. The author used a sample of US commercial banks to check whether there exists a significant relationship between CRM implementation and commercial bank efficiency. The surprising results were against a belief that 70% of CRM expenditure will be justified by the positive results in efficiency.

5.3.3 Information Technology Deployment and Profitability

The third objective of the study was to determine to what extent information technology deployment strategy affects the profitability of Bank of Africa. Results indicated that majority of the respondents agreed with the statements that the bank has invested heavily in an ATM network, the bank has invested heavily in internet banking, the core banks management information system was compatible with other systems, the management information system was flexible enough to supports the growth of the bank, the management information system of the bank has been crucial in assisting employees to enhance their performance and productivity, the bank has invested in a management information system which is easy to use and the bank has invested in a management information system which has enabled the minimization of administrative costs. The relationship between information technology deployment strategy and profitability is positive and significant ($r=0.653$, $p<0.01$). This implies that an increase in the effectiveness of information technology management practices influences the bank's profitability positively.

Adeosun et al. (2009) found out that ICT enhances strategic management, decision making, information access, communication, collaboration, knowledge management and data management in organizations which concur with the findings of this study. The findings also agree with those in Beer (2006) who noted that implementation of e–banking has helped realize many benefits which include: elimination of barrier limitations; increased convenience; reduced cost on services; reformed banking practices; ease of connection with customers at any place and any time is through internet applications; increased performance in the banking industry as a result of faster delivery of information from the customer and service provider; e–banking saves time; has resulted to increased innovative on products and service at lower transaction fees and it enhances queue management which is a key dimensions of e–banking service quality.

Brynjolfsson and Hitt (2000) discovered that ICT has a important contribution the level of output in a firm. After doing the analysis they found out that Information Technology capital contributes an 81% marginal increase in output, whereas non Information Technology capital contributes 6%. In addition, they illustrated that Information System professionals are more than twice as productive as non-Information System professionals which concurs with the findings of this study. Farrell and Saloner (1985) and Economides and Salop (1992), showed that the relationship concerning Information and Communication Technology and banks‟ performance have two encouraging outcomes. 1. ICT reduces the operational costs of the banks (the cost advantage). For example, internet technology facilitate and speeds up banks procedures to achieve standardized and cheap value added transactions such as bill payments and balance inquiries processes via online network.

5.4 Conclusions

This section presents the conclusions of the key findings of the study based on the already reported research objectives**.**

5.4.1 Employee Empowerment and Profitability

One of the study objectives was to determine the effect of employee empowerment strategy on the profitability of Bank of Africa. It was possible to conclude that employee empowerment was highly emphasized in the banks. Results led to a conclusion that all employees received induction training and all the learning was incorporated on the job training. Results revealed that employees’ are satisfied on recruitment selection systems, compensation package, job security, career growth, reward motivation and working environment. Correlation results led to conclusion that that the relationship between employee empowerment and profitability is positive and significant. The findings imply that employee empowerment has a significant effect on profitability of banks.

5.4.2 Customer Relationship Management and Profitability

The study sought to determine the effect of customer relationship management on the profitability of Bank of Africa. Results led to the conclusion that CRM strategy enables the banks to analyze the customer profiles. It was inferred that CRM strategy helps banks to identifying the banks most profitable customer and prospects and that CRM enables the bank to provide better customer service. Results indicate that CRM enables the bank make call centers more efficient and also that CRM enables the bank and help sales staffs close deal faster. It was concluded that that CRM enables the bank discover new customers and increase customer's revenues. Correlation results led to the conclusion that the relationship between customer relationship management (CRM) and profitability is positive and significant. The findings imply that customer relationship management (CRM) has a significant positive effect on profitability of banks.

5.4.3 Information Technology Deployment and Profitability

The study sought to determine the effect of to determine to what extent information technology deployment strategy affects the profitability of Bank of Africa. Following the study results, it was possible to conclude that information technology was highly emphasized in the banks. It was concluded that the bank has invested in a management information system which was easy to use and that the bank has invested in a management information system which has enabled the minimization of administrative costs. Results led to the conclusion that the core banks management information system was compatible with other systems and that the management information system was flexible enough to supports the growth of the bank. Study results show that the bank had invested heavily in an ATM network, internet banking and that the management information system of the bank has been crucial in delivering innovative customer products and services. Results also led to the conclusion that management information system of the bank has been crucial in assisting employees to enhance their performance and productivity. It was possible to conclude that that the relationship between information technology and profitability is positive and significant. The findings imply that information technology has significant positive effect on profitability of banks.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Employee Empowerment and Profitability

In line with study results, it is recommended that employee empowerment be emphasized in the banks as it has an effect on the overall achievement of bank's profitability. Therefore the management is urged to encourage sharing of potentially sensitive information on costs, quality, and productivity on financial performance with other employees. It is recommended that the management to encourage autonomous action among staff and the management also to encourage the developing of a clear vision.

The study recommends that the management encourages the developed clarity regarding goals, clear work procedures and clarity in all areas of responsibility. Following study results, it is recommended that employee satisfaction practices be emphasized in the bank as it has an effect on the overall achievement of strategic competitive advantage. Therefore the organization is urged to ensure that employees' are satisfied on recruitment and selection systems, compensation package and job security.

It was recommended that the management ensures that career growth, training and development on reward and motivation is emphasized. Finally, the study recommends that the management ensures that employees are satisfied on job design and responsibilities, working environment and management style.

5.5.1.2 Customer Relationship Management and Profitability

The study recommends that banks should emphasize customer relationship by investing in a customer relationship management system. Specifically, banks should invest in a robust Information technology system as this can certainly help companies to create satisfied and loyal customers. This is because customer relationship management is driven by technology rather than a well articulated customer strategy. In addition, it is recommended that banks need to allocate adequate resources for CRM. In this, critical resources such as information and knowledge necessary for addressing customers problem must not be the preserve of a particular unit but organizations must re-align its internal architecture and leverage such resources across the spectrum of the organization to enable people deal with customer issues promptly. It is further recommend that companies must develop a supportive organizational culture, market relationship management internally, intimately understand customer expectations, create and maintain detailed customer database and organize and reward employees in such a way that the objectives of CRM is achieved. The cultural change results in the transformation of the concept into organizational wide ownership, leading to widespread acceptance across the organization. In this situation it would not be seen as belonging to a particular department. The concept would therefore draw out support from all segments within the organization to enable effective relationship be achieved between the customers and the organization.

It is recommended that employee sire central to an effective CRM and as such firms must manage its relationships with their employees if they have any hope of fully serving customer needs and that this is especially important in firms where employees are the eyes of customers

It is recommended that bank leadership should be enhanced. The foundation of successful CRM lies in the re-orientation of managerial mindset to a state of commitment that values customers as the central nervous system of organizational survival in the marketplace.

5.5.1.3 Information Technology and Profitability

Following study results, it is recommended that investment in Information technology be emphasized in the banks as it has an effect on the overall achievement of competitive advantage. Therefore the organization is urged to invest in innovative and technology based products such as ATMs, Mobile banking, Internet banking and agency banking. In addition, banks should invest in management information systems which are easy to use and which facilitate minimization of administration and operational costs. In addition, banks should invest in management information systems that are compatible with other systems as well as the one that support the growth of the bank.

5.5.2 Recommendations for Further Studies

The study recommends that further investigation be done on the effect of employee empowerment, customer relationship management and information technology on the profitability for nonbanking organizations. For instance the study can be replicated in manufacturing organizations and public organizations such as NSSF, NHIF and KRA.

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APPENDICES

Appendix I: Introduction Letter

Date…………………..

Chief Executive Officer

…………….Bank Limited

P.O Box ……………..

Nairobi.

Dear Sir/Madam,

RE: ACADEMIC RESEARCH PROJECT

I' am a master's student at the United States International University (USIU). I wish to conduct a research entitled "***Strategic responses of banks treasury departments towards competitive environment and its effect on profitability: a case study of Bank of Africa***". A questionnaire has been designed and will be used to gather relevant information to address the research objectives of the study. The purpose of writing to you is to kindly request you to grant me permission to correct information on this important subject from conveniently selected members of staff.

Please note that the study will be conducted as an academic research and the information provided will be treated in strict confidence. Strict ethical principles will be observed to ensure confidentiality and the study outcomes and reports will not include reference to any individuals.

Your co-operation will be highly appreciated.

Yours Sincerely,

Jackline Muchangi.

Appendix II: Questionnaire

This questionnaire has statements regarding effect of strategic responses on profitability of Bank of Africa. Kindly take few minutes to complete the questionnaire as guided. Your responses will be handled confidentially and ethically.

Thank you for agreeing to participate in this academic study.

SECTION A: GENERAL /DEMOGRAPHIC DATA

1. Kindly indicate your gender

   a) Male ☐

   b) Female ☐

2. Please indicate the highest level of education you have ever attained

   a) Secondary level ☐

   b) College level ☐

   c) University level ☐

   d) Post graduate level ☐

3. How long have been employed by the bank

   a) less than 1 year ☐

   b) 2 to 5 years ☐

   c) 6 to 10 years ☐

   d) Over 10 years ☐

SECTION B: PROFITABILITY OF BANKS

This subsection is concerned with investigation of profitability of Bank of Africa.

No	**Statement**	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
		1	**2**	**3**	**4**	**5**
1	The bank has experienced an increase in employees over the last 5 years					
2	The banks profitability has increased over the last five years					
3	The bank profitability is better compared to peers					
4	Profit is a key indicator of performance in our bank					
5	The bank profitability has led to an increase in the market share of the firm					
6	The bank profitability has led to an increase in the dividends in the firm					
7	The bank has put in place marketing strategies to increase the profits of the bank					

SECTION C: EFFECTS OF EMPLOYEE EMPOWERMENT STRATEGY ON PROFITABILITY

This subsection is concerned with investigating the effect of Employee empowerment strategy on the profitability of Bank of Africa.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
1	Every new employee receives induction training					
2	Learning about the duties of the job is included in the induction training					
. 3	On the job training is important and effective in improving employee performance					
. 4	Employees' are satisfied with the compensation package offered in the bank					
. 5	Employees' are satisfied on reward motivation granted by the bank					
. 6	Employees' are satisfied on working environment and opportunities offered in the bank					

What other effects does employee empowerment has on profitability of Bank of Africa?...

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SECTION D: EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT STRATEGY ON PROFITABILITY

This subsection is concerned with establishing to what extent customer relationship management strategy affects the profitability of Bank of Africa.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
. 1	CRM strategy enables the banks to analyze the customer profiles					
. 2	CRM strategy helps banks to identifying the banks most profitable customer and prospects					
. 3	CRM enables the bank to provide better customer service					
. 4	CRM enables the bank make call centers more efficient,					
. 5	CRM enables the bank and help sales staffs close deal faster					
. 6	CRM enables the bank discover new customers, and increase customer's revenues					
. 7	CRM strategy enables the banks to analyze the customer profiles					

How does customer relationship management strategy influence profitability of your bank?...

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SECTION E: EFFECT OF INFORMATION TECHNOLOGY DEPLOYMENT STRATEGY ON PROFITABILITY

This subsection is concerned with investigation of whether information technology deployment strategy affects profitability of Bank of Africa.

No	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
		1	2	3	4	5
. 1	The bank has invested heavily in an ATM network					
. 2	The bank has invested heavily in internet banking					
. 3	The core banks management information system is compatible with other systems					
. 4	The management information system is flexible enough to supports the growth of the bank					
. 5	The management information system of the bank has been crucial in assisting employees to enhance their performance and productivity					
. 6	The bank has invested in a management information system which is easy to use					
. 7	The bank has invested in a management information system which has enabled the minimization of administrative costs					

What other factors influence profitability of your bank?..

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Appendix III: Study Work Plan

Activity	October 2013				November 2013				December 2013				Jan 2014				Feb 2014	March 2014
	Week				Week				Week				Week					
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4		
Topic selection & approval																		
Supervisor appointment																		
Produce draft proposal																		
Incorporate supervisors reviews																		
Proposal ready for presentation																		
Incorporation of panel comments																		
Pilot testing of questionnaire																		
Data collection																		
Data processing and analysis																		
Review of draft by supervisor																		
Incorporate supervisor comments																		
Submit project to board of postgraduate studies																		

Appendix IV: Estimated Study Budget

TASK/ACTIVITY	COST(Ksh)	COST DESCRIPTION & JUSTIFICATION
Pilot Testing of questionnaire	10,000	2research assistant at 1000/= per day for 5 man days
Questionnaire printing & photocopying	5,000	100 copies of questionnaire at 3/=
Field data collection	20,000	2 research assistants at 10000/= each
Data sorting, coding & input	5,000	1 research assistant at 5000/= each
Printing & binding thesis report	10,000	20 copies of 200 pages thesis at 3/= plus binding at 400/= per copy
Local Travelling for data collection	5,000	For research assistants
Contingency budget	10,000	To cater for any unprecedented research activities that may present themselves
Total Budget	**65,000**	