COMPETITIVE STRATEGIES EMPLOYED IN THE BANKING INDUSTRY IN KENYA: A CASE OF BARCLAYS BANK OF KENYA LTD

BY

LORETTA NAIYE WESULAH

UNITED STATES INTERNATIONAL UNIVERSITY –AFRICA

SPRING 2016
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LORETTA NAIYE WESULAH

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfilment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY –AFRICA

SPRING 2016
STUDENT’S DECLARATION

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

Signed: __________________________  Date: _________________

Loretta Naiye Wesulah (ID: 643911)

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

Signed: __________________________  Date: _________________

Professor Peter M. Lewa

Signed: __________________________  Date: _________________

Dean, Chandaria School of Business
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ABSTRACT

The purpose of this study was to determine the competitive strategies employed in the banking industry in Kenya using a case of Barclays Bank of Kenya Ltd. To achieve the purpose of this study, the study was guided by three research questions: The forces of competition in the banking industry, the competitive strategies employed by Barclays Bank of Kenya Ltd, Effectiveness of the competitive strategies adopted by Barclays Bank of Kenya.

The target population of this study included 1645 employees at Barclays Bank Kenya Limited as at December, 2015. The sampling frame consists of the different cadres of employees at Barclays Bank of Kenya Limited. The cadres were used in order to ensure that the sampling frame is current, complete and appropriate for the attainment of the study objective. The study applied stratified sampling technique in selection of the appropriate sample. A representative sample size of 142 employees was selected for the study. The study used a semi structured questionnaire in the collection of data. A five point Likert scale was applied for closed ended questions. The study conducted a pilot study to establish the content validity and reliability of the questionnaire. Data was analyzed using Statistical Package for Social Sciences (SPSS) Version 22.0. Measures of central dispersion including mean and standard deviation were used. Tables and figures were used to present the data.

The study found that on the forces of competition in the banking industry, the levels of rivalry in banking services, the advertising campaign by other commercial banks, the level of rivalry in market segments, the level of rivalry in interest rates, rivalry in new product development among commercial and the level of service improvements by other banks affect competitiveness of Barclays. The patents at Barclays, the stringent regulation by CBK, the financial resource capability of Barclays, the scope of financial services offered by other banks, the size of other banks within the Industry and the level of capital requirement in the Banking industry promote the competitiveness of Barclays. Flexibility in controlling the suppliers, the number of commercial banks relying on a given supplier, the bargaining power of outsourced suppliers and the competitiveness of ATM support partners affects competitiveness of Barclays in Kenya. On the competitive strategies employed by Barclays Bank of Kenya, the study established that Barclay’s banks had created competitive advantage.
by adopting the strategies cost leadership strategy, by offering low cost prices of their products and services, differentiation strategy and focusing on a certain type of market niche. The bank used and emphasized on the application of cost leadership strategy to a large extent. The bank also uses differentiation, whereby it strive to be unique in the products they offer and market penetration strategies. For Barclays bank gain competitive advantage over its rivals, by providing comparable value to the customer, performing activities more efficiently than its competitors (lower cost), or performing activities in a unique way that creates greater buyer value and commands a premium price (differentiation). On Effectiveness of adopted competitive strategies by Barclays Bank of Kenya, the competitive strategies employed at Barclays bank were effective to a great extent.

The study concluded that the Bank faced threats of new entrants and there was high rivalry among commercial banks forcing Barclays Bank of Kenya to use market intelligence to differentiate its products and services. The study also concluded that Barclay’s banks had created competitive advantage by adopting the strategies cost leadership strategy, by offering low cost prices of their products and services, differentiation strategy and focusing on a certain type of market niche and that that strategies are essential for effective functioning of any organization.

The study recommends that Barclays bank operate in an environment full of competition thus it must be able to attract and retain the target customers and market. The competitive strategies which Barclays Bank can use to deliver superior value include the cost leadership, differentiation and diversification. In addition, the study recommends that commercial banks should focus on developing and implementing effective strategies that will enable them survive in the competitive environment under which they operate. The banking sector is currently facing lots of challenges and new products like Mpesa seem to threaten the industry but if proper strategies are put in place, commercial banks will stay operational in the competitive environment.
ACKNOWLEDGEMENT

I would like to acknowledge my supervisor Professor Peter Lewa for his guidance during the development of this thesis. I would also like to acknowledge my Business Research Methods instructor Dr. George K’aol for the deep knowledge he imparted in me during the development of my research proposal. I also acknowledge the respondents for taking time out of their busy schedules to fill out the questionnaires. Finally I am sincerely grateful to God for the gift of serenity throughout my studies from the beginning of the course to its completion.
DEDICATION

This work is dedicated to my supportive mother Marilyn Laura Narotso who has shown her sincere and relentless contributions towards creating an ideal environment to enable me further my studies.
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<tr>
<td>BBK</td>
<td>Barclays Bank of Kenya</td>
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<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
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<tr>
<td>Ltd</td>
<td>Limited</td>
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<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1. Background of the Problem
The operating environment for businesses has become more and more competitive as firms strive to outperform each other. In order to remain competitive, firms need to devise strategies that will help them build competitive advantage which they can then seek to sustain (Abishua, 2010). Competitive strategy as defined by Porters (1998) is the search by firms to exclusively find favorable business competitive position in an industry. Porter emphasis upon innovation and upgrading as central to the creation and sustaining competitive advantage amongst firms. Competitive strategy is a quest for superior performance through establishing competitive advantage over rival firms. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors (Kay, 1993). A competitive advantage becomes strategic to a firm when the firm recognizes its competitive advantage, and then uses it as a wedge and strategy for generating more revenues and profits within the industry it competes in (Strategicadvantage.com 2012). Banking industry is one of the forms of business enterprises in which cut throat competition thrives (Kinusi, 2010 cited by Maxine 2012).

The Kenyan economy has seen significant improvement over the years. The country’s economic growth is promising due to the sound macroeconomic policies put in place (Auwah, 2011). The financial sector is among the top key sectors set to drive this growth. Nevertheless, according to Kinusi (2010), the banking industry is one of the forms of business enterprises in which cut throat competition thrives. The banking industry in Kenya has witnessed drastic complex changes over the recent years and increased intensive competition threatening both the attractiveness of the industry and the profitability/market share. As a result, the players in the industry need to put in place and adopt strategies that will give them a competitive edge over the others.

Inkpen and Choudhury (1995) maintain that strategy is identified by examining organisational elements like product lines, markets, channels of distribution, allocation of financial resources, operational goals and objectives, and plans and policies guiding organisational decision making. Once these elements are present in
every firm, it means that all firms that are viable and continuously remain profitable have strategies. According to Porter (1980), a firm’s strategy can either be explicit or implicit. Inkpen and Choudhury (1995) maintain that a firm’s strategy is the result of series of activities and managerial decisions that coalesce into a pattern and logic.

Porter (2008) identified five forces that bring competition as fierce rivalry, threat to entry, threat to substitutes, power of suppliers and power of buyers; and maintains that understanding the forces that shape industry competition is the starting point for developing strategy. Porter (2008) argued that if the forces are intense, no company earns attractive returns on investment and if the forces are benign, many companies are profitable. The configuration of the five forces differs by industry and that a company needs a separate strategy for each distinct industry.

The competitive strategies outlined by Porter (1980) include; cost leadership, differentiation, location strategy, and customer service and communication strategies. The study of Dess and Davis (1984), maintain that firms that pursued one of the pure strategies of low cost, differentiation, or focus perform better than those who were stuck in the middle. The study is consistent with Porter’s assertion that a commitment to at least one of the generic strategies will create a defensible position for a firm. By having a strategy, a firm can efficiently manage costs of operations, effectively execute projects and subsequently have superior market and economic intelligence as well as achieving competitive advantage. Barney (1991) suggested that firms obtain sustained competitive advantages by implementing competitive strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses.

Abishua (2010) noted that competition in the Kenyan banking industry has risen to the point where even international banks like Barclays among others have been forced to change their strategies in order to maintain and enlarge their market shares. As competition intensifies, many businesses continue to seek profitable ways in which to differentiate themselves from competitors (Sidorowicz, 2007). Because many banking products are undifferentiated commodities, banks are constantly looking for ways to set themselves apart from the competition to help them win and retain customers and to improve the bottom line (Auwah, 2011). It is for this reason that Barclays Bank of
Kenya is motivated to improve its performance so that it can remain relevant in the industry.

Kenya's financial system is by far the largest and most developed in East Africa. The industry is well developed and dynamic with a number of Kenyan banks expanding into neighbouring countries. Over the past few years the banking industry has enjoyed exponential growth which can be attributed to the automation of services, advent of mobile and agency banking and branch network expansion both locally and regionally. As the industry continues to record strong growth so do challenges continue to arise (Craig & Babette, 2007). According to Porter (1980), the ability of firms to survive in the business environment is dependent upon their selection and implementation of a strategy that differentiates the firm from competitors.

1.2. Statement of the Problem

The upsurge of banks in the recent years in the Kenyan banking sector, which may be attributed to the fast pace of economic development and favourable government policies that allowed liberalisation of the market system, has resulted in the banking industry being very competitive. The intense competition attracts new entrants into the market, increased innovations among players in this sector and the adoption of strategies by the players that enable them compete favourably, giving them a competitive advantage. The harsh reality is banks provide similar services or offerings and to ensure banks survival within the industry, they need to adopt a strategy that will give it a competitive advantage over the rivals.

Maxine (2012) observed Barclays though a major player in the Kenyan banking industry is facing many challenges from the environment and its competitors. In the recent past, it has always made the highest profits. This however is slowly being overtaken by banks such as Kenya Commercial Bank and Equity Bank Kenya. However, late entrants in the banking industry are now among the ones with the highest number of customers (Central Bank of Kenya, 2015). The Bank has faced challenges growing its customer and overall business base which saw the parent Company Barclays PLC want to offload its stake in the Barclays Africa business. Failure by BBK to adopt effective competitive strategies over the years has led to dwindling market share and loss of customers. The bank appears to have gained a
poor reputation in terms of customer service, bureaucratic processes and turnaround
time (Barclays Bank of Kenya, 2015). In an attempt to differentiate itself and capture a
wider market share, the bank has put several measures in place. Among the measures
is an operational and marketing strategy (Barclays Bank of Kenya, 2016). This study
attempts to investigate the competitive strategies adopted by Barclays Bank of Kenya.

1.3. Purpose of the Study
The purpose of the study was to determine the competitive strategies adopted in the
banking industry in Kenya using a case of Barclays Bank of Kenya.

1.4. Research Questions
To achieve the purpose of this study, the study was guided by the following research
questions:
1.4.1 What are the forces of competition in the banking industry?
1.4.2 Which of the competitive strategies is employed by Barclays Bank of Kenya Ltd?
1.4.3 How effective are the competitive strategies adopted by BBK

1.5. Significance of the Study
The study would be of great importance to the following stakeholders,

1.5.1 Barclays Bank of Kenya
This study aimed at enriching the practical understanding of the use of competitive
strategies to attain organization success. Also, shortcomings in the strategy employed
by BBK were identified. This would enable the management to reconsider and re-
evaluate their strategy to meet competition in the banking industry.

1.5.2 Government and Policy Makers
This study identified areas of competition and the competitive strategies banks adopt
to deal with them. This would enhance policy formulation as a point of reference by
policy makers as they would well equipped to focus on key areas that need policies to
level out the playing field for all banks. The industry would then be fair to operate in.
1.5.3 Other Companies and Organisations

The results of this study could be applied by management in other companies trying to achieve competitive advantage.

1.5.4 Researchers and Academicians

The study added value to theory by forming a basis upon which further research on issues of competitive strategy would be undertaken by academicians. Other researchers would realise the areas which require more research. In addition, it would be of use to both students and lecturers as a point of reference.

1.6. Scope of the Study

This research focused on competitive strategies adopted by Barclays Bank Kenya Ltd. The bank has semi-autonomous branches countrywide. The study was conducted in Nairobi which had 51 branches. The researcher selected 14 branches in Nairobi and from each branch 10 staff were selected to fill out questionnaires. In all 140 participants were selected for the study. The study was conducted in the month of February 2016.

The limitation encountered during the study was respondents’ unwillingness to share practices that may be deemed to be proprietary to their organizations or otherwise flouting confidentiality rules. To mitigate this, respondents were assured of confidentiality and anonymity.

1.7. Definitions of Terms

1.7.1 Bank

A bank is a company which carries on, or proposes to carry on banking business (Central Bank of Kenya, 2015).

1.7.2 Branch

Any permanent premises, other than the banks head office, at which an institution transact business in or outside Kenya (Central Bank of Kenya, 2015).

1.7.3 Strategy

This is the set of competitive responses manifested through decisions and actions in response to the firm’s environment (Craig & Babette, 2007).
1.7.4 Competitive Strategy

Craig & Babette (2007) describe Competitive Strategy as taking offensive or defensive actions to create a defendable position in an industry, to cope successfully with the five competitive forces and thereby yield a superior return on investment for the firm.

1.7.5 Customer Satisfaction

Customer satisfaction is defined as the relationship between earning and value (O’Sullivan & McCallig, 2012).

1.8. Chapter Summary

This chapter has introduced the concept and contextual arguments of the study. It specifically covered the background of the study, statement of the problem, purpose of the study, research questions and the significance of the study. The following chapter, Chapter 2, reviews the existing literature on the subject, including articles, books, journals and publications. Light is shed on the current literature relevant to the study and the conceptual framework by renowned scholars such as Michael Porter and other researchers in the field of strategic management. Chapter 3 followed where the research methodology has been discussed. Chapter 4 presented the results and findings of the study. Lastly, Chapter 5 presented the discussion, conclusion, and recommendations for action and further research.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
This chapter covered the literature review of existing literature related to this study. It reviews papers that are both theoretically and empirically related to competition and strategy. This chapter reviews the concept of competition, competitive strategies, nature of competition in the banking industry and a brief history of banking in Kenya.

2.2 Forces of Competition in the Banking Industry

Competition is at the heart of the success or failure of firms as it determines the appropriateness of a firm’s activities that can contribute to its performance, such as innovations and cohesive culture. Allen and Gale (2000) defined competition as a rivalry in which every seller tries to get what other sellers are seeking at the same time: sales, profit, and market share by offering the best practicable combination of price, quality, and service. Where the market information flows freely, competition plays a regulatory function in balancing demand and supply. Wheelen and Hunger (2006) defined competitors as organizations that offer the same, similar, or substitutable products or services in the business arena in which a particular company operates.

Porter (1985) identified five forces that determine the state of competitiveness in a market as well as influencing the profitability of firms already in the industry. Adoption of the porters five forces model can be of great value to the competitiveness of organizations. Porter (2008) concludes that “the five competitive forces reveal whether an industry is truly attractive, and they help investors anticipate positive and negative shifts in the industry structure before they are obvious”. Porter’s five force model is applicable in identifying the key factors of success within an industry. The model analysis deals with factors outside an industry that influence the nature of competition within it, the forces inside the industry commonly known as microenvironment that influence the way in which firms compete. The model holds that a business has to understand the dynamics of its industries and markets in order to compete effectively in the marketplace. Figure 2.1 Porter’s five forces influencing competition
The model highlights what is important and directs managers toward those aspects most important to long-term advantage. According to the model, there are five primary forces that drive profitability (Porter, 2008). These five forces are discussed below.

### 2.2.1 Competitive Rivalry

Competitive rivalry in an industry plays an important role in determining the strategies developed by an organization (Bhatia, 2016). In order for an organization to be competitive, it has to consider the reaction of a competitor whenever developing their strategies to ensure that their strategies yield the indeed return. Mathooko and Ogutu (2015) argue that competition is inevitable an in order for organizations to be successful and competitive, they have to learn how to cope with business rivals. The identified the level of rivalry among institutions of higher learning as a key determinants in the institutions competitiveness. Anand (2012) identifies key parameters of competitive rivalry to include price discounting, new product introduction, advertising campaigns and service improvements. Key factors in competitor analysis include the profile of the competitors and the context of the industry (Mathooko and Ogutu, 2013).

Rahman, Azad and Mostari (2015) examined a competitive analysis of airline industry using a case study on Biman Bangladesh Airlines. The findings showed that competition within the airline industry was very intense owing to there being so many

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**Figure 2.1: Porter’s Model of competitive forces (Porter, 2008)**

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### 2.2.1 Competitive Rivalry

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Rahman, Azad and Mostari (2015) examined a competitive analysis of airline industry using a case study on Biman Bangladesh Airlines. The findings showed that competition within the airline industry was very intense owing to there being so many
service providers. There were many airlines flying on same routes targeting the same passengers. In developing competitive strategies, managers in an organization need to consider the objectives of rivals and strategize on how to position their organizational strategies (Hua, 2011).

The financial services industry, commonly referred to as the banking industry, which has been around for years is a highly competitive industry. Today almost everyone who needs banking services has them and as a result banks tend to target their competitor’s clients in a bid to lure them away from their competitors. Tactics such as offering additional or variety of investment services, lower financing and preferred rates are used to lure the clients from the competitors. Due to the high competitive rivalry experienced in the banking sector banks are experiencing lower returns. In a bid to counter act this the banks are taking on high-risk projects. The effect of all this in the long run as we have begun to see happen in Kenya is there is more consolidation in the industry where instead of spending huge amounts of money in marketing and advertising the big banks opt to take over or merge with another bank.

2.2.2 Threat of New Entrants

Porter (1980) identifies key determinants of barrier to entry as including: economies of scale in terms of organizational size and scope of operations if an organization is to operate competitively; access to distribution channels in terms of means to reach customers; the level of product differentiation adopted, reliability and brand image; switching costs and customer loyalty created by quality (Mathooko, 2013). Other parameters include capital requirements in terms of size of cash and financial resources available and required to run a business; patents and experience; government policy for the industry in question in terms of licensing and regulations, subsidies and tax incentives (Hua, 2011).

According to Eskandari, Miri, Gholami, Reza and Nia (2015), the threat of entry in any identified industry depends on the height of entry barriers and reaction of new entrants. In circumstances where the barriers to entry are low, there are high chances of new entrants who then quickly become a rival. The threat of entry will be very high which will negatively affect the profitability of the industry. The new entrants will always be seeking to grow their market share and as they do this, they will be eating into the market share of the existing organizations (Mathooko, 2013). They do this by
creating competencies especially by concentrating on the weaknesses noted among the existing firms (Aghazadeh, Estiriand Aslanlu, 2007).

It is often agreed that the average person cannot solely start up a bank. Though there are other financial services, such as SACCOs and microfinance, through which entrepreneurs can take advantage, there is the need for big investors to come together and a tedious, long legal process followed to start up a bank. Banks earn bulk of their revenue from the payments business which is a good source as it is fee based. A company such as Mpesa poses a threat to such revenue along with companies, such as insurance firms, offering other financial services like mortgage and loan services. Another threat which stems from a country enjoying sound political and economic environment making it attractive to investors is the threat of new entrants into the market. This is always a possibility in the market with the new entrants being bigger and foreign banks.

2.2.3 Power of Suppliers

Competitive industries normally have suppliers that have bargaining power. Suppliers mainly influence competitiveness of organizations in an industry mainly through input elements to improve price and reduce the ability of unit value quality (Weele, 2005). They also achieve this through influencing the industry existing companies’ profit ability as they will affect the operating profits. Kiplagat and Kiarie (2015) examined the effect of supplier management practices on supply chain performance among State Corporations in Kenya. It is acknowledged that Suppliers are key stakeholders in any firm’s supply chain since they form a key component of the upstream supply chain partners. A well-designed supplier management system needs to be set up in an organization to support professional purchasing which can help increase conformity and systematic way of purchasing for competitiveness (Diageo, 2011).

In another study, Chen (2015) examined sustainability and company performance using evidence from the manufacturing industry. The findings show a correlation between environmental and social improvement practices suppliers management. It was further established that better cooperation with suppliers on environmental work helps in strengthen organizational green capabilities (World Bank, 2013). Suppliers of capital may not pose a big threat however, there is the threat of human resource being lured away by the suppliers. For instance a talented person employed at a smaller
local bank there is a high possibility that the big banks or investment firms will lure away that person.

In another study, Prahinski and Benton (2004) examined supplier evaluations by looking at communication strategies to improve supplier performance. The study notes that supplier evaluations can help organizations improve their competitiveness in the market place. The organization needs to make it buying expectations known to the supplier in advance to ensure quality and timely supply (World Bank, 2013). There needs to be constant communication between the organization and the supplier in order to maintain a working relationship. Organizations need to develop several supplier development programs to motivate their suppliers to supply quality and timely supplies. The suppliers need to be committed to their obligations to ensure the operations of an organization run smoothly (Diageo, 2011).

2.2.4 Power of Buyers
In its quest to gain competitive advantage in a given market, organizations can use their customers. Buyers have a great influence on the way organizations operate in terms of the prices they charge through consequent adjustment of the demand for a given product. Porter (1980) argues that suppliers to an industry may be powerful in circumstances where they are more concentrated than their customers with their customers not having the ability to command a significant share of their business. Such a situation may arise because their customers do not represent a potential long-term or major relationship. This could be in the form of one-off or small customers versus regular or bulk buyers. According to Kotler (1998), the buyers of goods and services from an industry may be powerful if they are more concentrated than the players in the industry and are able to force down prices as well as reduce the industry’s margin. In such circumstances, buyers can purchase from the industry directly in large volumes, thereby forcing down prices, or increase costs through demand for higher quality products and services (Parnell, 2006). Certain buyer groups exercise bargaining power as a result of their concentration or bulk purchases of a given commodity or by virtue that they are the sole purchasers.

An organization needs to assess the characteristics of its buyers or customer in their strategy if they are to be successful. They need to evaluate the reaction of their customers to different activities by the organization especially price adjustments and
their corporate citizenship. Eskandari, Miri, Gholami and Nia (2015) argue that the higher in the number of buyers, the bargaining power of buyers is reduced, because if they don’t buy a product, someone else buys it. A customer may be reluctant to change a supplier if such change would face extra one-time switching expenditure. Kotler (1998) argues that a customer may be reluctant to change a supplier if such change entails a perceived deterioration in the quality, image or quality of a supplier’s product which will in turn adversely affect the customer’s service.

The bargaining power of buyers is strong in affecting competitiveness of many commercial banks. The individual does not almost always pose much of a threat to the banking industry. However, Porter (1980) found that one major factor affecting the power of buyers however, is relatively high switching costs. Porter (1985) argues that for a person with say a car loan, mortgage or personal loan at a one bank, it would be very difficult for that same person to move to another different bank. As a result banks lower the cost of moving commonly known as switching cost in an attempt to lure away customers from their competitors. However, Porter (1985) found that many would rather stay with their current bank for the above mentioned reasons or simply for loyalty. Nevertheless, the large corporate clients who have great bargaining power are able to make their banks do things to their convenience by wrapping them around their fingers which is a result of their huge base in the bank which cannot be underestimated. Therefore financial institutions, according to Samuel (2013) by offering more services, exposure to foreign capital markets and better exchange rates work tirelessly to get high-margin corporate clients.

2.2.5 Availability of Substitutes

The level of threat of substitution in an industry affects the competitiveness of firms as each firm seeks to have its products or services preferred by the customers (Wambua, Namusonge, Waema & Ngonzo, 2014). This in turn influences the ability of the firms in the concerned industry to achieve profitability. The existence of a substitution threat negatively affects the profitability of an industry. This is because consumers can choose to purchase the substitute instead of the industry’s product (World Bank, 2013). However, existence of close substitute products can improve industry competitiveness and decrease profit potential. According to Stall (2015),
substitution comes in various forms and can have a dramatic and market-altering impact on an organization.

There are plenty of substitutes in the banking industry as firms seek to enjoy the profits recorded in the banking industry (Samuel, 2013). Banks offer a range of services over and above taking deposits and lending money, but whether it is insurance or fixed income securities, chances are that there is a nonbanking financial services company that can offer similar services (Wambua et al., 2014). Microfinance, Corporative Unions and Savings and Loans Schemes are all over in Kenya. On the lending side of the business, banks are seeing competition rise from unconventional companies. Even elsewhere, car companies are offering 0% financing so why would anyone want to get a car loan from the bank and pay interest (Stall, 2015).

**2.3 Competitive Strategies**

The word 'strategy' has always been prominent in any discussion on the subject of management of an organization because of its importance. The word strategy comes from the Greek word *Strategos* which refers to military general-ship and combines *stratos* (the army) and *ago* (the lead). The history of strategic planning has its roots in, and is a heritage of the military (David, 2003). According to Chandler (1962), a strategy is concerned with the determination of basic long term goals and objectives of an organization. This enables development of action plans on how to direct the day to day operations towards the delivery on the organizational goals. Pitts et al. (2003) explained that it is to ensure that an organization applies its strengths and distinctive competences in such a way that it gains a competitive advantage over its rivals in any given environment.

Similarly, another early scholar Ansoff (1965, p.103) views ‘strategy’ as “decision, rules and guidelines” required by a firm for its “orderly and profitable growth”. However, apart from this “design view of strategy”, more recent works on strategy recognize that a strategy can be more than an explicit, formal planning (Johnson & Scholes, 2002, p.39-61). In other words, not only can a strategy be a plan, but also a ploy, a pattern, a position, or a perspective (Mintzberg, 1987), depending on the context of discussion. It is the framework which guides those choices that determine the nature and direction of the firm (Tregoe and Zimmerman, 1980).
Strategy is the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations (Porter, 2008). Andrews (1965) defines strategy as ‘the pattern of objectives, purposes, goals and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or it is to be’. According to Wheelen and Hunger, (2006) a corporation’s strategy forms a comprehensive master plan that states how the corporation will achieve it mission and objectives.

The effect of competitive strategies on firm performance is analysed in numerous studies. According to Porter (1980, 1985) firms with a clear strategy outpace firms without a strategy. This argument constitutes the base of his competitive strategies. In view of the highly competitive market, companies must quickly grasp surprising opportunities, respond to threats and outmanoeuvre their rivals to endure and succeed. In order to be competitive in a given industry, organizations have to look at their strengths and see how they can exploit them for optimal performance.

Porter (1985) argues that banks develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market. Well thought out and planned strategies provide opportunities for the bank to respond to various challenges within its operating environment. The competitive aim is to do a significantly better job to its customers. The success of every organization is determined by its responsiveness to the customer needs.

Porter (1980, 1985) suggested that some of the most basic choices faced by companies are essentially the scope of the markets that the company would serve and how the company would compete in the selected markets. Competitive strategies focus on ways in which a company can achieve the most advantageous position that it possibly can in its industry (Pearson, 1999). Competitive advantages are achieved by companies by differentiating products and services from those of their competitors and through low costs. Firms can target their products by a broad target, thereby covering most of the marketplace, or they can focus on a narrow target in the market (Lynch, 2003).
Competitive strategy is therefore an attempt to alter a company’s strength relative to that of its competitors in the most efficient way and also to mould actions and decisions of managers and employees in a coordinated, company-wide game plan (Ohmae, 1983).

Porter (1980) noted that there are three generic strategies that describe how an organization pursues competitive advantage across its chosen market scope, which are differentiation, cost leadership and focus strategies.

2.3.1 Cost leadership
Cost leadership is concerned with maintaining operational costs so low so that the profitability is improved. Companies try their best to outperform their competitors in the market place by managing their operating costs so as to optimise organizational performance. This is because lowest costs companies earn the highest profits in circumstances where the competing products are highly undifferentiated with a standard market price. Companies pursuing low cost strategy emphasize on cost reduction in all activities in the value chain.

Lynch (2003) argues that being a low cost firm does not mean that it charges the lowest of all other firms on average and reinvesting the extra profits into the business. However, this strategy does not come without risks. For instance pursuing this strategy could be that a Company focuses on reducing costs at the expense of several other things or factors. This may make the company become lose its vision of focusing on a single strategy. Cost leadership strategy seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs. To attain such a relative cost advantage, firms will put considerable effort in controlling and production costs, increasing their capacity utilization, controlling materials supply or product distribution, and minimizing other costs, including R&D and advertising.

A study by Sadoulet (2005) did a study on the relationship between competitive strategies and market penetration of commercial banks in Europe. The study used a longitudinal study using data for ten years. A semi-structured questionnaire was used to collect primary data and secondary was obtained from financial statements. The study concluded that commercial banks that adopted competitive strategies highly
penetrated the market compared to other banks. Through cost leadership strategy banks these banks attracted all classes of customers.

2.3.2 Differentiation

Differentiation is a competitive strategy employed by organizations where they strive to distinguish their products and services from those of competing firms. These could be achieved through packaging and pricing and for services, the manner in which the services are delivered (Porter, 1980). Several studies have been conducted on differentiation and organizational competitiveness. For instance, Nolega, Oloko Sakataka and Oteki (2015) examined product differentiation strategies and how they affected firm product performance using a case of Kenya Seed Company (KSC), Kitale. The findings showed that the product differentiation strategies employed in the last 10-15 years had improved the performance and competitiveness of KSC. Differentiation strategy aims to build up competitive advantage by offering unique products which are characterized by valuable features, such as quality, innovation, and customer service. Differentiation can be based on the product itself, the delivery system, and a broad range of other factors. With these differentiation features, firms provide additional values to customers which will reward them with a premium price.

This study explored the challenges facing by Barclays Bank of Kenya and the strategies it employs to achieve competitive advantage. Being the leading bank in Kenya in terms of asset base, capitalisation and profitability, it was of interest to do an in-depth analysis of the bank’s operations. The empirical finding of this study is that Barclays Bank of Kenya employs differentiation strategy aimed at achieving competitive advantage by offering better products or services at the same price or enhancing margins by charging a premium price, often to reflect the higher production costs and extra value added features provided to the customers.

Ndede (2010) carried out a study that explored the challenges faced by Barclays Bank of Kenya and the strategies it employs to achieve competitive advantage. The finding of the study was that Barclays Bank of Kenya employs differentiation strategy that aims at achieving competitive advantage by offering better products or services at the same price or enhancing margins by charging a premium price, often to reflect the higher production costs and extra value added features provided to the customers.
Differentiation strategy aims to build up competitive advantage by offering products which are characterized by valuable features, such as quality, innovation and customer service. Svatopluk and Ljuba (2006) argue that strategies based on differentiation seek to establish fundamental difference in a variety of dimensions that buyers perceive a marked contrast between product and services of firm and its rivals. They further add that firms that successfully differentiate themselves are rewarded for their uniqueness with a premium price. The uniqueness should also translate to profit margins that are higher than those of competitors.

2.3.3 Focus

Increased competition in the banking industry threatens the attractiveness of the industry thereby reducing commercial banks’ profitability. This is because it exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. In order to remain competitive and outperform their competitors, commercial banks have to develop appropriate strategies to drive their performance. In order to use the focus strategy, commercial banks have to identify a market niche they wish to serve (Pearson, 1999). By focusing on a given niche in the market, commercial banks are able to customize their financial services to the needs of that market niche.

Organizations focus on gaining competitive advantage so that they can compete effectively. Banks can achieve competitiveness by identifying their core competences, banks are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage. According to Johnson and Scholes (1997), core competences are through identification of their core competencies and developing strategies which can help them realize set objectives (Lynch, 2003). According to Porter (1980), for companies to apply a focused strategy they need to focus on a niche market with the least competition (Pearson, 1999). Porter (1980) further argues that an organizations failure to choose between cost leadership and differentiation leaves the company stuck in the middle.

Obasi et al (2006) argues that focus is also based on adopting a narrow competitive scope within an industry that large firms tend to overlook. A focused strategy based on either low cost or differentiation is attractive when the target market is big enough to be profitable and has potential for growth and industry leaders do not see presence
in the niche as crucial to their own success. This strategy aims at growing the market share through operating in narrow markets or niche markets that are commonly overlooked by the larger competitors.

2.4 Effectiveness of Adopted Competitive Strategies by Barclays Bank of Kenya

Firms need to be effective in the application of different strategies adopted in order for them to deliver on organizational objectives (Wambua, Namusonge, Waema and Ngonzo, 2014). Gareche, Hosseini and Taheri (2013) in their comprehensive literature review in competitive advantages of businesses established that competitive advantages in the fields of marketing strategic management, strategic management, marketing management, information technology, knowledge management, entrepreneurship, and theory were based on resources and human resource management. Effectiveness of the strategies developed can be measured by comparing the actual results obtained with the targeted goals to be obtained (Brandenburger & Nalebuff, 2006). Having competitive strategies on their own may not be important, one needs to assess as to whether the strategies have helped the organization in gaining sustainable competitive advantage.

2.4.1 New Product Development

Mugo, Wanjau and Ayodo (2012) conducted an investigation into competitive intelligence practices and their effect on profitability of firms in the banking industry using a case of Equity Bank. The study highlighted intelligent product development as one measure of effectiveness in the application of competitive strategies. Using intelligence from the market, organizations need to develop new products and services aimed at meeting the unmet customer needs on the market. Their findings showed that intelligent products deliver a whole new range of capabilities that cannot be found in other products.

According to Park (2002), product intelligence increases the levels performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects. Using the intelligence, banks can develop products that enable them gain market power by growing their market share, reduce their exposure to risks and enable them gather more knowledge.
2.4.2 Cost Leadership

Several scholars and researchers have examined the effectiveness of cost leadership strategy to organizational competitiveness. Fathali (2016) examined the impact of competitive strategies on corporate innovation from an empirical study in automobile industry. The findings show that the competitive strategies by Porter has a significant influence on corporate innovation. In another study, Chang, Fernando and Tripathy (2015) examined the relationship between strategic positioning of firms and their production efficiency. From the findings, it was established that firms pursuing either a cost leadership or a differentiation strategy achieved superior performance.

In Albanian, Pulaj, Kume and Cipi (2015) examined the impact of generic competitive strategies on organizational performance and established significant positive effects of the three competitive strategies: cost leadership, differentiation and focus strategies on performance. Dirisu, Iyiola and Ibidunni (2013) studied product differentiation as a tool of competitive advantage and optimal organizational performance using a study of Unilever Nigeria PLC. The study concentrated on product differentiation as a tool of competitive advantage on the organizational performance of manufacturing companies. The results indicate that product differentiation has a positive and significant influence on organizational performance of Unilever Nigeria PLC.

Valipour, Birjandi and Honarbakhsh (2012) examined the effects of cost leadership strategy and product differentiation strategy on the performance of firms using empirical data. The findings show that cost leadership strategy is positively related to leverage; dividend payout with performance. Kapto and Njeru (2014) established a strong positive relationship between cost leadership, differentiation and focus strategies on competitiveness of mobile phone companies in Kenya. In another study, Mutunga and Minja (2014) show that generic strategies adopted by beverage companies in Kenya contributed to their competitive advantage.

2.5 Chapter Summary

The purpose of this literature review was to review the competitive strategies employed in the banking industry in Kenya using a case of Barclays Bank of Kenya Ltd. The chapter discussed the the forces of competition in the banking industry, the competitive strategies is employed by Bank, and the effectiveness of the competitive
strategies adopted. The following chapter, Chapter 3, outlined the research methodology in terms of research design, population, sampling frame and sample, data collection methods, research procedure and how data was analyzed.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter describes and explains the methodology deployed in this study and the research methods which informed my choice of methods. This research was conducted in order to identify the areas of competition within the banking industry and to evaluate the competitive strategies adopted by BBK to cope with the competition. This chapter presents the research design, methods used to gather data. This chapter discusses the research design, population, sampling techniques, data collection tools and procedure.

3.2 Research Design
A research design is a plan or blueprint of how a person intends to conduct his or her research (Babbie and Mouton, 2004). The study applied a case study. A case study is an in-depth investigation of an individual, institution or phenomenon. Case studies allow the researcher to collect in-depth information, more depth than in cross-sectional studies with the intention of understanding situations or phenomenon particularly when dealing with one response unit.

Quantitative research looks at many cases, people, or units, and measure limited features about them in the form of numbers. By contrast, a qualitative study usually involves qualitative data and examines many diverse features of a small number of cases across either a short or long time period and then describes it. The mixed research on the other hand combines qualitative and quantitative research design. This study employs a mixed approach, so that the limitations of qualitative and quantitative are complemented. The mixed method is believed to provide more perspectives on the phenomena being studied. The qualitative approach generates verbal information rather than numerical values (Polgar & Thomas, 1995). Instead of using statistical analysis, the qualitative approach utilizes content or holistic analysis to explain and comprehend the research findings. With this, inductive and not deductive reasoning is used. The main point of the quantitative research method is that measurement is valid, reliable and can be generalized with its clear anticipation of cause and effect (Cassell & Symon, 1994).
3.3 Population and Sampling Design

3.3.1. Population
Cooper and Schindler (2000) define population as the total collection of elements on which the researcher wishes to make inferences. The target population of this study included 1645 employees at Barclays Bank Kenya Limited as at December, 2015.

3.3.2. Sampling Design
3.3.2.1. Sampling frame
Saunders, Lewis and Thornhill (2009) define a sampling frame as a list of elements from which the sample is actually drawn and closely related to the population. In this study, the sampling frame consists of the different cadres of employees at Barclays Bank of Kenya Limited. This sampling frame was adopted in order to ensure that the sampling frame is current, complete and relevant for the generalization of findings to the whole population.

3.3.2.2. Sampling Technique
The study grouped the population into three strata based on the position in the Bank. The study used simple random sampling from each stratum to select the sample size from the population. Mugenda and Mugenda (2003) argue that if well selected, a sample of 10-30% of the target population is adequate for generalization of the findings to the whole population provided the target population is highly homogeneous. The sampling technique used in this study was the stratified random sampling because to ensure that the data collected is representative of all employees in the Bank. According to Lewis and Thornhill (2009), stratified random sampling method is preferred in this study since it lead to selection of a representative sample from each stratum.

3.3.2.3. Sample Size
The study applied Yamane (1967) formula to calculate a representative sample size for any given population. The formula used to calculate the sample size for this study is described below.

\[ n = \frac{N}{1 + N(e)^2} \]
Whereby $n = \text{Sample Size}$, $N = \text{Total Population}$, $e = \text{Precision Level}$ (taken as 10% at 95% confidence level)

Considering total population of 1645, the sample size was computed as follows:

$$n = \frac{1645}{1 + (1645 \times (0.01))}$$

$n$ is thus 142

This shows that sample size of 142 employees was selected for the research.

### 3.4 Data Collection Method

Primary data was used in this study which was collected using a questionnaire containing both open and closed ended questions. The questionnaire was structured in accordance with research questions to ensure that it would meet the research objective. For closed ended questions, a five point Likert scale was adopted to help standardize the responses. The questionnaires contained four main sections with the first section covering demographic information of the respondents commonly referred to as demographic data while the remainder three sections covered the three research questions.

### 3.5 Research Procedures

A pilot test was conducted to enable the researcher determine the respondents’ burden in filling the questionnaire and the appropriateness of the questionnaires in collecting the required data. The questionnaires was reviewed and revised accordingly to take care of the issues noted during the pilot survey.

The researcher obtained permission from the legitimate institutional heads in order to minimize interruptions in the day to day operations at the respondent organization, the study adopted a drop and pick later method. The questionnaires was delivered to the respondents at the place of work and picked on a later date once they had been filled. The researcher called in from time to time to remind the target respondents to fill in so as to ensure a high response rate.

Respondent anonymity was ensured by giving questionnaires unique numbers which only the researcher understood their meaning. Only the researcher understood the codes on the questionnaires hence ensuring respondent confidentiality. A clear
explanation was given to respondents as to how they are to benefit from the research. All these were aimed at ensuring a high response rate.

3.6 Data Analysis Methods
Data analysis means the categorizing, ordering, manipulating and summarising data to obtain answers to research questions (Miller, 1992). Its purpose is to obtain meaning from collected data. The data collected from the questionnaires was analysed descriptively and statistically with Statistical Package for Social Scientist (SPSS) version 22.0 as a tool to perform descriptive statistics. Microsoft Excel 2007 was used to generate charts after the SPSS for the study. The result of the survey was presented in tables. Extracts from the interview process were also integrated based on the analysis outline. The answers to the various questions were coded. The reason for the choice of the above methods was to give a pictorial explanation to the textual presentation. Pearson’s correlations analysis was conducted at 95% confidence interval so as to establish the relationship between effectiveness of competitive strategies adopted by Barclays bank of Kenya and forces of competition in the banking industry and competitive strategies employed by Barclays Bank of Kenya.

3.7 Chapter Summary
This chapter described the methodology used to achieve the research objectives. It specifically presented: research design, population, sampling frame, sampling technique, sampling size, data collection and data analysis. The following chapter, Chapter 4, covered the Results and Findings.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
The study sought to understand the competitive strategies employed in the banking industry in Kenya using a case of Barclays Bank of Kenya Ltd. The data was gathered using a questionnaire designed in line with the research questions.

4.1.1 Response Rate
A total of 142 questionnaires were distributed out of which 109 questionnaires were returned giving a response rate of 77%. This response was good enough and representative of the population and conforms to Mugenda and Mugenda (2003) stipulation that a response rate of 70% and above is excellent. Figure 4.1 below highlights the results on the response rate.

![Figure 4.1: Response Rate](image)

4.2 Demographic Information

4.2.1 Gender of the Respondents
The study sought to establish the gender of the respondents. The findings show that 53% (58) were male while 47% (51) were female. This shows that all genders were significantly represented in the study thus the data collected were relevant and reliable for the study. Figure 4.2 on the next page highlights the gender of the respondents.
4.2.2 Age Distribution

The respondents were asked to indicate their age groups distribution. From the responses, majority 36% (39) of the respondents were in the age group between 21-30 years, 28% (31) were between 31-40 years, 13% (14) were below 20 years, 12% (13) were between 41-50 years and 11% (12) were above 50 years. This shows that the findings cut across all the age groups thus relevant and reliable information for the study was obtained. Figure 4.3 below presents the age distribution of the respondents.
4.2.3 Highest Level of Education Achieved

The respondents were asked to indicate their highest level of education achieved. From the findings on Figure 4.4, majority 43% (47) of the respondents had bachelor’s degree as the highest qualification, 28% (31) had master’s degree, 16% (17) had other qualifications, 10% (11) had diploma and 3% (3) had PhD. This shows that the respondents had relevant qualifications and were familiar enough with the competitive strategies employed in the banking industry in Kenya hence provides relevant information for the study. The findings are shown in Figure 4.4 below.

![Figure 4.4: Highest Level of Education Achieved](image)

4.2.4 Number of Years Working at Barclays Bank

The respondents were requested to indicate the number of years they have been working at Barclays bank. Majority 32% (35) had been working at the Bank for between 6-10 years, 25% (27) for between 11-15 years, 21% (23) for between 1-5 years, 14% (15) for between 16-21 years and 8% (9) for over 21 years. This shows that the respondents had been at the bank long enough to understand the competitive strategies employed in the banking industry in Kenya hence provided reliable information for the study. Figure 4.5 on the next page presents the findings.
The respondents were asked to indicate the departments they operate from at Barclays Bank. Majority of the respondents worked in the Marketing department while the minority worked in the Finance and Administration department. The findings show that strategies are formulated with input from across the departments. The findings are shown on Figure 4.6.

**Figure 4.5: Number of Years Working at Barclays Bank**

**4.2.5 Departments**

Several statements on various forces of competition in the Kenyan banking industry were identified and the respondents were required to indicate the extent to which they agree. A five point Likert scale was provided ranging from: a scale of 1 to 5 where 1= N/A (Not Applicable), 2= Strongly Disagree, 3= Disagree, 4= Agree and 5 = Strongly Agree.

**Figure 4.6: Departments**

**4.3 Forces of Competition in the Banking Industry**

Several statements on various forces of competition in the Kenyan banking industry were identified and the respondents were required to indicate the extent to which they agree. A five point Likert scale was provided ranging from: a scale of 1 to 5 where 1= N/A (Not Applicable), 2= Strongly Disagree, 3= Disagree, 4= Agree and 5 = Strongly Agree.
Agree. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings.

### 4.3.1 Competitive Rivalry

On competitive rivalry, the respondents were provided with a number of statements on which they were required to indicate their level of agreement. From the findings in Table 4.1, the levels of rivalry in banking services differentiation affect competitiveness of Barclays had the highest mean of 4.10 with a standard deviation of 0.838 followed by the advertising campaign by other commercial banks affect competitiveness of Barclays in Kenya which had a mean of 4.06 with a standard deviation of 0.915, the level of rivalry in market segments affect competitiveness of Barclays had a mean of 3.95 with a standard deviation of 0.864, the level of rivalry in interest rates affect competitiveness of Barclays had a mean of 3.93 with a standard deviation of 0.796, rivalry in new product development among commercial banks affect competitiveness of Barclays had a mean of 3.82 with a standard deviation of 0.989 and the level of service improvements by other banks affect competitiveness of Barclays had a mean of 3.75 with a standard deviation of 1.072. The respondents were in agreement that competitive rivalry affected competitiveness of Barclays which is consistent with Mathooko and Ogutu (2015) who argue that competition is inevitable and in order for organizations to be successful and competitive, they have to learn how to cope with business rivals. The findings are clearly illustrated below on Table 4.1.

**Table 4.1: Forces of Competition in the Banking Industry**

<table>
<thead>
<tr>
<th>Competitive Rivalry</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The level of rivalry in interest rates affect competitiveness of Barclays</td>
<td>3.93</td>
<td>.796</td>
</tr>
<tr>
<td>The level of rivalry in market segments affect competitiveness of Barclays</td>
<td>3.95</td>
<td>.864</td>
</tr>
<tr>
<td>The level of rivalry in banking services differentiation affect competitiveness of Barclays</td>
<td>4.10</td>
<td>.838</td>
</tr>
<tr>
<td>Rivalry in new product development among commercial banks affect competitiveness of Barclays</td>
<td>3.82</td>
<td>.989</td>
</tr>
<tr>
<td>The advertising campaign by other commercial banks affect competitiveness of Barclays in Kenya</td>
<td>4.06</td>
<td>.915</td>
</tr>
<tr>
<td>The level of service improvements by other banks affect competitiveness of Barclays</td>
<td>3.75</td>
<td>1.072</td>
</tr>
</tbody>
</table>
4.3.2 Threat of New Entrants

On the threat of new entrants as shown on Table 4.2, the patents at Barclays promote its competitiveness had the highest mean of 4.56 with a standard deviation of 0.629 followed by the stringent regulation by CBK positively affects the competitiveness of Barclays which had a mean of 4.32 with a standard deviation of 0.731, the financial resource capability of Barclays promotes its competitiveness in Kenyan market had a mean of 4.15 with a standard deviation of 0.873, the scope of financial services offered by other banks affects the competitiveness of Barclays had a mean of 4.12 with a standard deviation of 0.873, the size of other banks within the Industry affects the competitiveness of Barclays had a mean of 4.03 with a standard deviation of 0.768 and the level of capital requirement in the Banking industry promotes the competitiveness of Barclays had a mean of 3.73 with a standard deviation of 0.929.

The respondents strongly agreed that threat of new entrant affected competitiveness of Barclays which concurs with the findings of Mathooko (2013) that the new entrants will always be seeking to grow their market share and as they do this, they will be eating into the market share of the existing organizations and Aghazadeh, Estiriand Aslanlu (2007) that they do this by creating competencies especially by concentrating on the weaknesses noted among the existing firms. This findings are clearly illustrated below on Table 4.2.

<table>
<thead>
<tr>
<th>Table 4.2: Threat of New Entrants</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The size of other banks within the Industry affects the competitiveness of Barclays</td>
<td>4.03</td>
<td>.768</td>
</tr>
<tr>
<td>The scope of financial services offered by other banks affects the competitiveness of Barclays</td>
<td>4.12</td>
<td>.893</td>
</tr>
<tr>
<td>The stringent regulation by CBK positively affects the competitiveness of Barclays</td>
<td>4.32</td>
<td>.731</td>
</tr>
<tr>
<td>The level of capital requirement in the Banking industry promotes the competitiveness of Barclays</td>
<td>3.73</td>
<td>.929</td>
</tr>
<tr>
<td>The financial resource capability of Barclays promotes its competitiveness in Kenyan market</td>
<td>4.15</td>
<td>.873</td>
</tr>
<tr>
<td>The patents at Barclays promote its competitiveness</td>
<td>4.56</td>
<td>.629</td>
</tr>
</tbody>
</table>

4.3.3 Power of Suppliers

The study further sought the respondents’ views on the influence of the power of suppliers on organizational competitiveness. From the findings on Table 4.3, flexibility in controlling the suppliers affects the competitiveness of Barclays Bank
Kenya had the highest mean of 4.11 with a standard deviation of 0.729 followed by the number of commercial banks relying on a given supplier affects the competitiveness of Barclays Bank Kenya which had a mean of 4.00 with a standard deviation of 0.775, the bargaining power of outsourced suppliers affects competitiveness of Barclays Bank Kenya had a mean of 3.90 with a standard deviation of 1.050 and the competitiveness of ATM support partners affects competitiveness of Barclays in Kenya had a mean of 3.83 with a standard deviation of 0.976. This shows that the respondents were in agreement that the power of suppliers affected competitiveness of Barclays. The above findings are clearly illustrated below on Table 4.3.

### Table 4.3: Power of Suppliers

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The competitiveness of ATM support partners affects competitiveness of Barclays in Kenya</td>
<td>3.83</td>
<td>.976</td>
</tr>
<tr>
<td>The bargaining power of outsourced suppliers affects competitiveness of Barclays in Kenya</td>
<td>3.90</td>
<td>1.050</td>
</tr>
<tr>
<td>The number of commercial banks relying on a given supplier affects the competitiveness of Barclays</td>
<td>4.00</td>
<td>.775</td>
</tr>
<tr>
<td>Flexibility in controlling the suppliers affects the competitiveness of Barclays Kenya</td>
<td>4.11</td>
<td>.729</td>
</tr>
</tbody>
</table>

### 4.3.4 Power of Buyers

On the influence of buyers’ power on the competitiveness of Barclays bank Kenya Limited. As shown on Table 4.4, the customers at Barclays Bank are loyal had the highest mean of 4.60 with a standard deviation of 0.593 and customers’ demands from Barclays makes it competitive had a mean of 3.91 with a standard deviation of 0.593. The respondents strongly agree that the power of buyers affected competitiveness of Barclays. Table 4.4 on the next page presents the findings.

### Table 4.4: Power of Buyers

<table>
<thead>
<tr>
<th>Description</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The customers at Barclays Bank are loyal</td>
<td>4.60</td>
<td>.593</td>
</tr>
<tr>
<td>Customers’ demands from Barclays makes it competitive</td>
<td>3.91</td>
<td>.794</td>
</tr>
</tbody>
</table>
4.3.5 Availability of Substitutes

The respondents were requested to indicate the extent to which availability of substitute financial services affected the competitiveness of strategies developed at Barclays Bank of Kenya Limited. From the findings on Table 4.5, availability of SACCOs is affecting the competitiveness of Barclays Bank Kenya had the highest mean of 4.09 with a standard deviation of 0.833 followed by existence of hire purchase facilities have affected the competitiveness of Barclays Bank Kenya which had a mean of 4.04 with a standard deviation of 0.916. Availability of Microfinance institutions is affecting the competitiveness of Barclays Bank Kenya had a mean of 3.93 with a standard deviation of 0.863 and availability of foreign financial institutions in Kenya has affected the competitiveness of Barclays Bank Kenya had a mean of 3.78 with a standard deviation of 1.00. The respondents agree that availability of substitutes affected competitiveness of Barclays Bank Kenya. Table 4.5 clearly illustrates the findings.

Table 4.5: Availability of Substitutes on Bank Competitiveness

<table>
<thead>
<tr>
<th>Substitutes</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of Microfinance institutions</td>
<td>3.93</td>
<td>.863</td>
</tr>
<tr>
<td>Availability of SACCOs is affecting the</td>
<td>4.09</td>
<td>.833</td>
</tr>
<tr>
<td>competitiveness of Barclays Bank Kenya</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Availability of foreign financial institutions</td>
<td>3.78</td>
<td>1.000</td>
</tr>
<tr>
<td>in Kenya has affected the competitiveness of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barclays Bank Kenya</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existence of hire purchase facilities have</td>
<td>4.04</td>
<td>.916</td>
</tr>
<tr>
<td>affected the competitiveness of Barclays Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4.3.6 Extent to which Forces of Competition Affected the Competitiveness of Barclays Bank Kenya

The respondents were asked to indicate the extent to which the forces of competition affected competitiveness of Barclays bank of Kenya. As shown on Table 4.6, rivalry among banks had the highest mean of 4.18 with a standard deviation of 0.771 followed by threat of new entrants which had a mean of 3.79 with a standard deviation of 1.043, power of suppliers had a mean of 2.70 with a standard deviation of 1.157, power of buyers had a mean of 2.55 with a standard deviation of 1.181 and
availability of Substitutes had the least mean of 2.05 with a standard deviation of 1.258. This shows that rivalry among banks and threat of new entrants greatly affected the competitiveness of Barclays bank while power of suppliers, power of buyers and availability of Substitutes affected to a little extent. Table 4.6 below presents the Extent to which forces of competition affected the competitiveness of Barclays Bank Kenya.

Table 4.6: Extent to which Forces of Competition Affected the Competitiveness of Barclays Bank Kenya

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rivalry among banks</td>
<td>4.18</td>
<td>.771</td>
</tr>
<tr>
<td>Threat of new entrants</td>
<td>3.79</td>
<td>1.043</td>
</tr>
<tr>
<td>Power of suppliers</td>
<td>2.70</td>
<td>1.157</td>
</tr>
<tr>
<td>Power of buyers</td>
<td>2.55</td>
<td>1.181</td>
</tr>
<tr>
<td>Availability of Substitutes</td>
<td>2.05</td>
<td>1.258</td>
</tr>
</tbody>
</table>

4.4 Competitive Strategies Employed by Barclays Bank of Kenya

Several statements on competitive strategies employed by Barclays bank of Kenya were identified and the respondents were required to indicate the extent to which they agree. A five point Likert scale was provided ranging from a scale of 1 to 5 where 1= N/A (Not Applicable), 2= Strongly Disagree, 3= Disagree, 4= Agree and 5 = Strongly Agree. From the responses, mean and standard deviation were used for ease of interpretation and generalization of findings. The findings are discussed below.

4.4.1 Cost Leadership Strategy

The respondents were required to indicate the extent to which Barclays bank of Kenya Limited applied cost leadership strategy in quest to gain sustainable competitive advantage. As shown on Table 4.7, increased profitability had the highest mean of 3.50 with a standard deviation of 1.068 followed by low cost initiative to customers with a mean of 3.30 and standard deviation of 0.976, increased customers number had a mean of 3.01 with a standard deviation of 0.902, introduced new products had a mean of 2.73 with a standard deviation of 0.987 and acquisition and retention of customers had a mean of 2.33 with a standard deviation of 1.172. The respondents were in agreement which is consistent with the findings of Lynch (2003) that the company can for instance charge an average price while following the low cost
leadership strategy and reinvest the extra profits into the business. Table 4.7 below presents the findings on competitive strategies employed by BBK.

Table 4.7: Competitive Strategies Employed by BBK

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased customers number</td>
<td>3.01</td>
<td>0.902</td>
</tr>
<tr>
<td>Low cost initiative to customers</td>
<td>3.30</td>
<td>0.976</td>
</tr>
<tr>
<td>Introduced new products</td>
<td>2.73</td>
<td>0.987</td>
</tr>
<tr>
<td>Acquisition and retention of customers</td>
<td>2.33</td>
<td>1.172</td>
</tr>
<tr>
<td>Increased profitability</td>
<td>3.50</td>
<td>1.068</td>
</tr>
</tbody>
</table>

4.4.2 Differentiation Strategy

Several statements were proposed on differentiation strategy so the respondents could indicate their level of agreement depending on how each of the elements of differentiation strategy was applied at Barclays Bank of Kenya Limited. From the findings on Table 4.8, offer quality and unique product/services had the highest mean of 4.00 with a standard deviation of 0.865 followed by acquisition and retention of customers with a mean of 3.71 and standard deviation of 0.882, gain competitive advantage had a mean of 3.65 with a standard deviation of 1.083, offered customers with variety of products had a mean of 3.60 with a standard deviation of 1.097 and increased profitability had a mean of 3.55 with a standard deviation of 0.927. There was a unanimous agreement by the respondents that BBK employed the differentiation strategy which concurs with Porter (1980) who argued that for a company employing a differentiation strategy, there would be extra costs incurred by the company such as advertising which aims to promote a differentiated brand image for the product. Spending on advertising can be considered as both a cost and an investment. Table 4.8 below highlights the findings on differentiation strategy.

Table 4.8: Differentiation Strategy

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer quality and unique product/services</td>
<td>4.00</td>
<td>.865</td>
</tr>
<tr>
<td>Gain competitive advantage</td>
<td>3.65</td>
<td>1.083</td>
</tr>
<tr>
<td>Acquisition and retention of customers</td>
<td>3.71</td>
<td>.882</td>
</tr>
<tr>
<td>Offered customers with variety of products</td>
<td>3.60</td>
<td>1.097</td>
</tr>
<tr>
<td>Increased profitability</td>
<td>3.55</td>
<td>.927</td>
</tr>
</tbody>
</table>
4.4.3 Focus Strategy
The respondents were required to indicate the extent to which focus strategy had been applied as a competitive strategy at Barclays bank of Kenya Limited. As shown on Table 4.9, enhance customer loyalty had the highest mean of 3.77 with a standard deviation of 1.042 followed by acquire and retain customers with a mean of 3.70 and standard deviation of 1.082, offer Low cost product to customers had a mean of 2.84 with a standard deviation of 1.098, gain competitive advantage had a mean of 2.38 with a standard deviation of 1.153 and increased market share and profitability had a mean of 2.23 with a standard deviation of 1.201. The respondents were in agreement that focus strategy was being employed at Barclays bank. This finding is consistent with that of Pearson (1999) that companies employ this strategy by focusing on the areas in a market where there is the least amount of competition. Table 4.9 highlights the findings.

Table 4.9: Focus Strategy

<table>
<thead>
<tr>
<th>Focus Strategy</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquire and retain customers</td>
<td>3.70</td>
<td>1.082</td>
</tr>
<tr>
<td>Enhance customer loyalty</td>
<td>3.77</td>
<td>1.042</td>
</tr>
<tr>
<td>Gain competitive advantage</td>
<td>2.38</td>
<td>1.153</td>
</tr>
<tr>
<td>Offer Low cost product to customers</td>
<td>2.84</td>
<td>1.098</td>
</tr>
<tr>
<td>Increased market share and profitability</td>
<td>2.23</td>
<td>1.201</td>
</tr>
</tbody>
</table>

4.5 Effectiveness of Adopted Competitive Strategies by BBK
The respondents were requested to indicate the extent to which the adopted competitive strategies were effective at Barclays bank of Kenya. From the findings on Table 4.10, majority 42% of the respondents indicated that the competitive strategies employed by the Barclays bank were effective, 29% indicated moderate extent, 26% indicated moderate extent and 3% indicated low extent. This shows that the respondents were in agreement to a great extent thus the finding is consistent with the finding of Porter (1980) that firms can choose from one of the three generic strategies to compete in the marketplace, regardless of the context of industry. Table 4.10 on the next page presents the findings.
Table 4.10: Effectiveness of Employed Competitive Strategies by BBK

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Extent</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Moderate Extent</td>
<td>32</td>
<td>29</td>
</tr>
<tr>
<td>Great Extent</td>
<td>46</td>
<td>42</td>
</tr>
<tr>
<td>Very Great Extent</td>
<td>28</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>109</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

4.6 Correlation Analysis

Pearson’s correlations analysis was conducted at 95% confidence interval so as to establish the relationship between effectiveness of competitive strategies adopted by Barclays bank of Kenya and the forces of competition in the banking industry and competitive strategies employed by Barclays Bank of Kenya. From the finding in Table 4.11, there is a positive correlation in the effectiveness of competitive strategies adopted by Barclays bank of Kenya of magnitude 0.533 with the forces of competition in the banking industry and a magnitude of 0.384 with competitive strategies employed by Barclays Bank. The independent variables also had a positive significant correlation relationship with P-values of 0.000 and 0.000 respectively. A correlation coefficient value (r) ranging from 0.10 to 0.29 is considered weak, from 0.30 to 0.49 is considered medium and from 0.50 to 1.0 is considered strong. Table 4.11 below presents the correlation analysis.

Table 4.11: Correlation Analysis

<table>
<thead>
<tr>
<th></th>
<th>Effectiveness of Competitive Strategies</th>
<th>Forces of Competition in the Banking Industry</th>
<th>Competitive Strategies Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness of</td>
<td>1</td>
<td>.533**</td>
<td>.384**</td>
</tr>
<tr>
<td>Competitive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategies</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>N</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.000</td>
<td>109</td>
</tr>
<tr>
<td>Forces of</td>
<td>.533**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competition in</td>
<td>pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>N</td>
</tr>
<tr>
<td>the Banking</td>
<td></td>
<td>.000</td>
<td>109</td>
</tr>
<tr>
<td>Industry</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive</td>
<td>.384**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategies</td>
<td>Pearson Correlation</td>
<td>Sig. (2-tailed)</td>
<td>N</td>
</tr>
<tr>
<td>Employed</td>
<td></td>
<td>.000</td>
<td>109</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**. Correlation is significant at the 0.01 level (2-tailed).
4.7 Chapter Summary
Chapter 4 gave a detailed account of the research findings. It showed the response rate, and demographic information of the respondents like their gender, age distribution, and highest level of education among others. The chapter also highlighted the extent to which the forces of competition affected the competitiveness of BBK and further identified the competitive strategies employed by Barclays Bank of Kenya. The next chapter, Chapter 5, presents discussions, conclusion and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter highlights a summary of the findings, discussion, conclusions and recommendations of the study based on the research questions of the study. The purpose of this study was to understand the competitive strategies employed in the banking industry in Kenya using a case of Barclays Bank of Kenya Ltd.

5.2 Summary
The purpose of the study was to determine the competitive strategies adopted in the banking industry in Kenya using a case of Barclays Bank of Kenya. To reach the purpose of this study sought to answer the following research questions: What are the forces of competition in the banking industry? Which of the competitive strategies is employed by Barclays Bank of Kenya Ltd? And how effective are the competitive strategies adopted by BBK.

The study adopted descriptive survey design. This design is applicable to the research since the researcher sought to determine the competitive strategies adopted in the banking industry in Kenya using a case of Barclays Bank of Kenya. A sample size of 142 was used for the study. Participants were selected using stratified random sampling.

The study found out that on competitive rivalry, the level of rivalry was in interest rates, market segments, banking services differentiation, new product development, level of capital requirement in the Banking industry, financial resource capability and patents affected the competitiveness of Barclays Kenya. On threat of new entrants, size of other banks within the Industry, scope of financial services offered by other banks, stringent regulation by CBK, level of capital requirement in the Banking industry and financial resource capability promotes the competitiveness of Barclays. On power of suppliers, competitiveness of ATM support partners, bargaining power of outsourced suppliers, number of commercial banks relying on a given supplier and flexibility in controlling the suppliers affects the competitiveness of Barclays Kenya.
The study further revealed that the customers at Barclays Bank are loyal and customers' demand from Barclays makes it competitive. On the availability of substitutes, Availability of Microfinance institutions, SACCOs, foreign financial institutions and Existence of hire purchase facilities have affected the competitiveness of Barclays Bank Kenya. The study also found out that rivalry among banks and threat of new entrants greatly affected the competitiveness of Barclays bank while power of suppliers, power of buyers and availability of Substitutes affected to a little extent.

The study establish that several competitive strategies had been employed at Barclays Bank, cost leadership strategy had increased customers number, lower cost initiative to customers, introduced new products and acquisition and retention of customers. Differentiation strategy offered quality and unique product/services, offered customers with variety of products and increased profitability. Focus strategy enhance customer loyalty, offered Low cost product to customers and increased market share and profitability. The study also found out that the adopted competitive strategies were effective at Barclays Bank of Kenya.

5.3 Discussion

5.3.1 Forces of Competition in the Banking Industry
The respondents were in agreement that the levels of rivalry in banking services differentiation, the advertising campaign by other commercial banks, the level of rivalry in market segments, the level of rivalry in interest rates, rivalry in new product development among commercial and the level of service improvements by other banks affect competitiveness of Barclays. This finding concurs with those of Anand (2012) who identifies key parameters of competitive rivalry to include price discounting, new product introduction, advertising campaigns and service improvements. Mathooko and Ogutu (2015) argue that competition is inevitable an in order for organizations to be successful and competitive, they have to learn how to cope with business rivals. This highlights the need for managers to be vigilant in developing competitive strategies, especially in considering the objectives of rivals and strategize on how to position their organizational strategies (Hua, 2011).
The respondents also agree that the patents at Barclays, the stringent regulation by CBK and the financial resource capability of Barclays helped in monitoring the entry of new firms in the industry. These findings are consistent with the argument of Eskandari et al. (2015), that the threat of entry in any identified industry depends on the height of entry barriers and reaction of new entrants. In addition, the scope of financial services offered by other banks, the size of other banks within the Industry and the level of capital requirement in the Banking industry promote the competitiveness of Barclays. This is consistent with the findings of Porter (1980) who identifies key determinants of barrier to entry as including: economies of scale in terms of organizational size and scope of operations if an organization is to operate competitively; access to distribution channels in terms of means to reach customers; the level of product differentiation adopted, reliability and brand image; switching costs and customer loyalty created by quality.

The respondents also agreed that flexibility in controlling the suppliers, the number of commercial banks relying on a given supplier, the bargaining power of outsourced suppliers and the competitiveness of ATM support partners affects competitiveness of Barclays in Kenya. This is consistent with Kiplagat and Kiarie (2015) who acknowledged that Suppliers are key stakeholders in any firm’s supply chain since they form a key component of the upstream supply chain partners. A well-designed supplier management system needs to be set up in an organization to support professional purchasing which can help increase conformity and systematic way of purchasing for competitiveness. Chen (2015) finds a correlation between environmental and social improvement practices suppliers management. It was further established that better cooperation with suppliers on environmental work helps in strengthen organizational green capabilities. Prahinski and Benton (2004) notes that supplier evaluations can help organizations improve their competitiveness in the market place. The organization needs to make it buying expectations known to the supplier in advance to ensure quality and timely supply.

Also the customers at Barclays Bank were loyal and their demands from Barclays make it competitive. Availability of SACCOs, existence of hire purchase facilities, availability of Microfinance institutions and availability of foreign financial institutions in Kenya had affected the competitiveness of Barclays Bank Kenya. This
is consistent with Wambua et al. (2014) who argued that the level of threat of substitution in an industry affects the competitiveness of firms as each firm seeks to have its products or services preferred by the customers. According to Stall (2015), existence of close substitute products can improve industry competitiveness and decrease profit potential. Substitution comes in various forms and can have a dramatic and market-altering impact on an organization.

5.3.2 Competitive Strategies Employed by Barclays Bank of Kenya

The study indicated that Barclays Bank of Kenya Limited ensures that it maintains a low-cost leadership strategy, low-cost manufacturing and a workforce committed to the low-cost strategy. In order to achieve this, findings revealed that Barclays Bank of Kenya Limited is always willing to discontinue any activities in which they do not have a cost advantage. In addition, they consider outsourcing activities to other banks with a cost advantage. This finding concurs with the study of Sadoulet (2005) that commercial banks that adopted competitive strategies are able to highly penetrate the market compared to other banks that do not. Through cost leadership strategy these banks attracted all classes of customers. The study also revealed that the cost leadership strategy lowered the cost initiative to customers. This is consistent with the findings of Lynch (2003) that companies which followed this strategy placed emphasis on the reduction of cost in every activity in the value chain.

Barclays Bank of Kenya Limited has been able to employ the cost leadership strategy enabling it to achieve above-average returns over competitors through low charges on services offered. Factors such as reduction in expenses incurred in service delivery have enabled BBK attain such a relative cost advantage. This concurs with the finding of Lynch (2003) who suggests that the company with the lowest costs would in turn earn the highest profits in the event that the competing products are essentially undifferentiated and selling at a standard market price. The findings show that the BBK had applied cost leadership to a small extent as it was not the least cost Bank in the industry.

Respondents agreed that differentiation strategy offered quality and unique product/services, acquisition and retention of customers, gain competitive advantage, offered customers with variety of products and increased profitability. The study unfolded that Barclays Bank of Kenya Limited has introduced different varieties of
the services, in response to competition from financial institutions. By doing this, the bank is able to build up competitive advantage by offering unique services which are characterized by valuable features, such as quality services, innovation and customer service that are not provided by other institutions. The study further revealed that Barclays Bank of Kenya Limited studies the customers’ needs and behaviour in order to learn what they consider important and valuable. Differentiation strategy has increased the contestability of Barclays Bank of Kenya Limited due to the advancement of technology. This finding is in agreement with those of Hall (1980) who investigated sixty-four American companies and the findings of the study revealed that companies following a differentiation strategy had superior performance compared to those companies that were not following the same.

The respondents also agreed that focus strategy enhance customer loyalty, offered Low cost product to customers and increased market share and profitability. The study revealed that Barclays Bank of Kenya Limited has adopted cost leadership strategies in order to respond to competition arising from the banking institutions. Barclays Bank of Kenya Limited had advanced to new geographical markets countrywide and had adopted forward integration where it had been increasingly moving closer to its customers by putting up many Automated Teller Machines. The findings further revealed that Barclays Bank of Kenya Limited has responded to competition by collaborating with other players in other industries. This finding concurs with Lynch (2003) that organisations can make use of the focus strategy by focusing on a specific niche in the market and offering specialised products for that niche.

5.3.3 Effectiveness of Adopted Competitive Strategies by Barclays Bank of Kenya

Majority of the respondents indicated that the competitive strategies employed at Barclays bank were effective to a great extent. This is consistent with Porter (1980) that firms can choose from one of the three generic strategies to compete in the marketplace, regardless of the context of industry. While most companies employ cost leadership strategy, differentiation, or a mix of these two strategies, there are relatively fewer companies that adopt a focus strategy. Perhaps one of the most important elements to consider in case of focus strategy is whether the size of the
market is appropriate from the revenue potential aspect, and if the company has the capability to provide the specialised products that the consumers in the niche market need and want.

The study shows that majority of the respondents have worked for a longer period of time and therefore they understand the competitive strategies that are being used by the bank in order to be competitive. Firms combine their resources (core competencies and capabilities) to develop a strategic path highlighting the interaction between the industry and the firm, having the foresight to identify which resources or capabilities, as processes, would lead to superior resources and capabilities. This concurs with the study of Park (2002) that product intelligence increases the levels performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects.

In order to develop customer solution strategies, the study found out that the bank considered customer satisfaction, staff empowerment through knowledge of products offered, introduction of new products, security, ease of use, technology, competitors strategy and available resources. The challenges encountered by the bank in the implementation of its strategies were stiff competition, technological changes, lack of resources, lack of support, regulatory constraints, lack of understanding of the strategy and the changing customer needs. This finding concurs with that of Mugo, Wanjau and Ayodo (2012) who conducted an investigation into competitive intelligence practices and their effect on profitability of firms in the banking industry using a case of Equity Bank. The study highlighted intelligent product development as one measure of effectiveness in the application of competitive strategies.

5.4 Conclusions

5.4.1 Forces of Competition in the Banking Industry

From the research findings in chapter four and summary in chapter five, the study established that several forced of competition existed in the Banking industry. There was high rivalry among commercial banks forcing Barclays Bank of Kenya to use market intelligence to differentiate its products and services. These involved competitive pricing of loan facilities, competitive market segmentation so as to allow focused efforts in winning targeted markets, advertising campaigns and developing
new products and financial services with the aim of meeting the gap established in customer demands for financial services.

The study also established that the Bank faced threats of new entrants. Other commercial banks had expanded their scope of business as other upgraded from microfinance and deposit taking institutions to fully fledged commercial banks. The existence of these opportunities for other Banks and the acquisition of local banks by Pan African well established banks also posted a challenge. However, the challenge of new entrants was reduced following the review of capital requirements which led to mergers and acquisitions. This reduced the entrance of other financial institutions thus improving the competitiveness of Barclays Bank Kenya Limited.

Another force included suppliers. The study established that suppliers were a force to reckon with in the Banking industry. Suppliers majorly affected the competitiveness of the Bank in terms of providing key infrastructure like Automated Teller machines and other outsourced services. It was established that a number of commercial banks relied on one supplier which reduced the level of customization.

The buyers also had great power on the level of competition. The customers demand for given financial services determined how the Bank developed its competitive strategies. The size of given market segments also determined the focus strategies developed by the Bank.

5.4.2 Competitive Strategies Employed by Barclays Bank of Kenya

The study concluded that Barclay’s banks had created competitive advantage by adopting the strategies cost leadership strategy, by offering low cost prices of their products and services, differentiation strategy and focusing on a certain type of market niche. The study also concluded that Barclay’s bank considered uniqueness, number of customers acquired and retained, reliability, cost of their products, publicity, focus, diversification and acquisition as key strategies that enable them gain competitive advantage. Further, efficient services and customer relations and handling had brought competitive advantage to the bank as a whole.

The study concluded that the bank used and emphasized on the application of cost leadership strategy to a large extent. This strategy has seen the bank still remain leader in the banking population of the Kenyan community. The study concluded that
the bank also uses differentiation, whereby it strive to be unique in the products they offer and market penetration strategies.

The study concluded that Barclays Bank gained competitive advantage over its rivals, by providing comparable value to the customer, performing activities more efficiently than its competitors (lower cost), or performing activities in a unique way that creates greater buyer value and commands a premium price (differentiation). The study also concluded that Barclays Bank embraces focus strategy by laying their focus on a type of market or population in order to keep the competition steady. Focus enabled them lay their emphasis on a type of people where no other bank has laid there thus making them more competitive.

5.4.3 Effectiveness of Adopted Competitive Strategies by Barclays Bank of Kenya

The study concludes that strategies are essential for effective functioning of any organization. The strategic direction is realized through the ability to evaluate strategies used and achieve competitive advantage than the competitors. It can be concluded that many factors are equally important in producing a position of success. Some of these are industrial factors; others are resources and competencies of the firm. The sum of all these factors results in creating and sustaining a successful competitive advantage. The conclusions from the study indicate that the bank has adopted differentiation, cost leadership and focus strategy in order to be able to compete effectively with other commercial banks.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Forces of Competition in the Banking Industry

On the forced of competition, the study established that the level of rivalry, threat of new entrant, power of suppliers and customers and availability of substitutes affected the competitive strategies developed by the Bank. This study therefore recommends that the Bank engages in higher level of business intelligence to gather relevant information from the market and benchmark it with best known world practices to enable it gain sustainable competitive advantage. The study recommends that the Bank also analyses these forces and arranges them in order of important so as to prioritize its strategy formulation and implementation. The study recommends that
Barclays bank operate in an environment full of competition thus it must be able to attract and retain the target customers and market. While operating on profit basis, the type of products and services it offer is supposed to be the best compared to the other commercial banks offering the same services who in this view are its competitors.

5.5.1.2 Competitive Strategies Employed by Barclays Bank of Kenya
The competitive strategies which Barclays bank can use to deliver superior value include the cost leadership whereby the bank is supposed to offer the lowest price in terms of products and services, differentiation where the bank offers unique products and services, diversification where the bank looks onto other areas of business such as insurance sector, strategic alliance with other companies, focusing on particular groups of customers and market and merger and acquisition of those non-performing banks and other enterprises in order to expand market.

5.5.1.3 Effectiveness of Adopted Competitive Strategies by BBK
The study also recommends that Barclays Bank focus on developing and implementing effective strategies that will enable them survive in the competitive environment under which they operate. The banking sector is currently facing lots of challenges and new products like Mpesa seem a threat to the industry but if proper strategies are put in place, commercial banks will stay operational in the competitive environment.

5.5.2 Recommendations for Further Studies
The study should be extended to establish the strategies employed to build competitive advantage in other related sectors in the industry such as microfinance institutions. Research should also be undertaken to determine what strategies other companies in different related industries use to build competitive advantage. Further research should also be undertaken to examining the role of core competencies in organizational performance in industrial sector.

The study further suggests that a research can be done on customers’ perception of the benefits of each of the competitive strategy used against the other competitive strategies. A comparative study should be carried out on the comparative performance advantage on the different competitive strategies used in the banking industry, challenges to both the organization and the customers.
REFERENCES


47


Diageo, (2011) Partnering with Suppliers: Diageo’s Standards of Business Ethics and Sustainability for Suppliers, Version 2.2


Proff, H. (2000), Hybrid Strategies as a Strategic Challenge – The Case of The German Automotive Industry, Omega, 28(5), 1-16


World Bank (2013). Reducing Supply Chain Barriers Could Increase Global GDP Up To 6 Times More Than Removing All Import Tariffs Report, Switzerland
APPENDICES

APPENDIX I: RESEARCH QUESTIONNAIRE

Please take a few minutes to complete this questionnaire. Your honest option will be completely anonymous. Your views are extremely important in this research. This questionnaire will last approximately at ten (10) minutes. All the information provided will be kept strictly confidential and will only be used for the purpose of this study. Your participation will be highly appreciated. This study is about the **

Kindly tick the appropriate response. In case of open-ended questions, write in the space provided.

SECTION A: Demographic Information

(Please tick one box for each of the questions)

1. What is your gender? __________________________
2. What is your age? __________________________
3. What is your highest level of education __________________________
4. For how long have you worked at Barclays? __________________________
5. What is your job role? __________________________
6. What department do you work in? __________________________

SECTION B: FORCES OF COMPETITION IN THE BANKING INDUSTRY

7. The table below has statements on various forces of competition in Kenya’s banking industry. Rate the Extent to which you agree with the following statements on a scale of 1-5 where 1= N/A (Not Applicable), 2= Strongly Disagree, 3= Disagree, 4= Agree and 5 = Strongly Agree.

<table>
<thead>
<tr>
<th>Competitive Rivalry</th>
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<th>2</th>
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<tr>
<td>The level of rivalry in interest rates affect competitiveness of Barclays</td>
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<tr>
<td>The level of rivalry in market segments affect competitiveness of Barclays</td>
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<tr>
<td>The level of rivalry in banking services differentiation affect competitiveness of Barclays</td>
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<tr>
<td>Rivalry in new product development among commercial banks affect competitiveness of Barclays</td>
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<td>The advertising campaign by other commercial</td>
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<td>banks affect competitiveness of Barclays in Kenya</td>
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<tr>
<td>The level of service improvements by other banks affect competitiveness of Barclays</td>
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**Threat of New Entrants**

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<tr>
<td>The size of other banks within the Industry affects</td>
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<tr>
<td>The scope of financial services offered by other banks affects the competitiveness of Barclays</td>
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<tr>
<td>The stringent regulation by CBK positively affects the competitiveness of Barclays</td>
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<tr>
<td>The level of capital requirement in the Banking industry promotes the competitiveness of Barclays</td>
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<tr>
<td>The financial resource capability of Barclays promotes its competitiveness in Kenyan market</td>
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<tr>
<td>The patents at Barclays promote its competitiveness</td>
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</table>

**Power of Suppliers**

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<tr>
<td>The competitiveness of ATM support partners affects competitiveness of Barclays in Kenya</td>
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<tr>
<td>The bargaining power of outsourced suppliers affects competitiveness of Barclays in Kenya</td>
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<tr>
<td>The number of commercial banks relying on a given supplier affects the competitiveness of Barclays</td>
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<tr>
<td>Flexibility in controlling the suppliers affects the competitiveness of Barclays Kenya</td>
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**Power of Buyers**

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<tbody>
<tr>
<td>The customers at Barclays Bank are loyal</td>
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<tr>
<td>Customers’ demands from Barclays makes it competitive</td>
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**Availability of Substitutes**

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<tr>
<td>Availability of Microfinance institutions is affecting the competitiveness of Barclays Bank Kenya</td>
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<td>Availability of SACCOs is affecting the competitiveness of Barclays Bank Kenya</td>
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<td>Availability of foreign financial institutions in Kenya has affected the competitiveness of Barclays Bank Kenya</td>
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<td>Existence of hire purchase facilities have affected the competitiveness of Barclays Bank Kenya</td>
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</table>

8. In general, how have the following forces affected the competitiveness of Barclays Bank Kenya? Rate the Extent to which you agree with the following statements on a scale of 1-5 where 1= No extent, 2= Little extent, 3= Moderate extent, 4= great extent and 5 = Very great extent.
9. What other forces of competition exist in the Kenyan banking industry?

___________________________________________________________

_____________________________________________

PART C: COMPETITIVE STRATEGIES EMPLOYED BY BARCLAYS
BANK OF KENYA

10. Statements on the table indicate various banking competitive strategies, Rate the extent to which you agree with their application at Barclays Bank of Kenya using a scale of 1-5 where; 1= N/A (Not Applicable), 2= Strongly Disagree, 3= Disagree, 4= Agree and 5 = Strongly Agree.

<table>
<thead>
<tr>
<th>Statements</th>
<th>1</th>
<th>2</th>
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<tbody>
<tr>
<td>Rivalry among banks</td>
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<td>Threat of new entrants</td>
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<td>Power of suppliers</td>
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<td>Power of buyers</td>
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<td>Availability of Substitutes</td>
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<th>Cost Leadership Strategy</th>
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<td>Increased customers number</td>
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<td>Low cost initiative to customers</td>
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<tr>
<td>Introduced new products</td>
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<td>Acquisition and retention of customers</td>
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<tr>
<td>Increased profitability</td>
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<th>Differentiation Strategy</th>
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<tr>
<td>Offer quality and unique product/services</td>
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<td>Gain competitive advantage</td>
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<td>Acquisition and retention of customers</td>
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<td>Offered customers with variety of products</td>
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<td>Increased profitability</td>
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<th>Focus Strategy</th>
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<tr>
<td>Acquire and retain customers</td>
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<tr>
<td>Enhance customer loyalty</td>
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<td>Gain competitive advantage</td>
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<td>Offer Low cost product to customers</td>
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<td>Increased market share and profitability</td>
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</tbody>
</table>
11. What other competitive strategies are employed by Barclays Bank of Kenya?

____________________________________

PART D: EFFECTIVENESS OF ADOPTED COMPETITIVE STRATEGIES
BY BBK

12. In your own opinion, to what extent are the adopted competitive strategies
effective at BBK?

   To a very great extent [ ]
   To a great extent [ ]
   To a moderate extent [ ]
   To a low extent [ ]
   To a very low extent [ ]

THANK YOU FOR YOUR PARTICIPATION
APPENDIX II: LETTER OF INTRODUCTION

25 February 2015

To whom it may concern

RE: Research Project by Loretta Waive Wesulah-Student ID: 643911

The bearer of this letter is a student at United States International University-Africa pursuing Master’s Degree in Business Administration (MBA).

As part of the program, she is required to undertake a research project on “Competitive strategies employed in the banking industry in Kenya: A case of Barclays Bank of Kenya Ltd.”, which requires her to collect data and information from various relevant institutions.

Kindly assist by enabling her access data, information and contact to respondents who can complete her questionnaires. I assure you that the information provided will be treated with the utmost confidentiality.

Should you have any enquiries regarding the student research please feel free to contact me on email at gachoki@usu.ac.ke or Tel: +254 730116414

Yours faithfully

[Signature]

Prof. George Achoki
Dean, Chandaria School of Business
Email: gachoki@usu.ac.ke