EFFECTS OF ENVIRONMENTAL FACTORS ON PERFORMANCE: A CASE OF BARCLAYS BANK

BY

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UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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

UNITED STATES INTERNATIONAL UNIVERSITY AFRICA

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STUDENT DECLARATION

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

Signed: ___________________________    Date: ___________________________

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Supervisor’s Declaration

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

Signed: ___________________________    Date: ___________________________

Dr. Joyce Ndegwa

Signed: ___________________________    Date: ___________________________

Dean, Chandaria School of Business
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ABSTRACT

The performance of Barclays Bank is key in determining the overall performance of Kenya’s banking sector against that of other countries in the world. This is because Barclays Bank is an institution with worldwide spread branches and other investments. The performance is usually measured by both financial and non-financial indicators according to the institution’s set objectives. This is normally affected by a number of environmental factors both micro and macro. The purpose of this study was to examine the effect of environmental factors on performance; a case study of Barclays Bank. The study sought to answer the following research questions: 1) what macro environmental factors does Barclays Bank face? 2) what micro environmental factors does Barclays Bank face? and 3) what are the effects of environmental factors on Barclays Bank’s performance?

A descriptive design was employed in this study and a sample selected from the targeted population of 180 where 54 respondents were picked using stratified sampling technique. The respondents were picked from the Board of Directors, the top level management, the middle level management and non-managerial employees. The study required primary data which was collected by the use of questionnaires and interview schedules. Data collection took a period of two weeks after which the data was analyzed using Microsoft Excel and SPSS software. Descriptive statistics such as standard deviation, means, frequency, and percentages were used to summarize the data. Correlations were used to determine degree of associations between two linearly related variables and regression used to determine the association between the dependent and independent variables. The analyzed data has been presented using pie charts, graphs and frequency distribution tables to provide a simplified and clear picture of the outcomes.

The research findings reveal that environmental factors significantly affect the performance of the Bank. Macro environmental factors, which include political and legal factors, socio-cultural factors, economic factors and technological factors, affect the direction in which performance move most of them having a significant effect. On overall, they have a significant effect on the performance of Barclays Bank. Micro environmental factors, on the other hand, which include: competitors, customers, substitute products, suppliers, market intermediaries, financiers, the public and labor resource, also have a significant effect on the
performance of Barclays Bank, with competitors having the highest impact. Both micro and macro environmental factors play a significant role in determining the overall performance of Barclays Bank with none being given much weight than the other. They have a synergistic form of relationship in which both environments affect performance in the same direction. When regressed against performance, environmental effects revealed a significant effect implying the need to focus on both macro and micro environments of the bank for achievement of optimal performance.

It is recommended that Barclays Bank adopt environmental management into her strategic planning to achieve optimal performance. This should be done through frequent surveillance to align strategies to environmental changes. Each aspect of the environment should be carefully considered and given weight for maximum results. Qualified and competent individuals who understand how the market functions in different environments should be consulted to do periodic studies and offer expert advice and opinion on the same. The strategies adopted should then be measured progressively against performance so as to check if Barclays Bank is progressing or retrogressing in terms of performance.

The information gained from this study will be useful in enhancing positive performance in the Bank and hence improving her overall performance. It will also be useful to organizations working with Barclays Bank such as the government, non-governmental organizations, and research institutions among others by providing a means to strengthen and guide policy making processes. The institutions may also use the information provided to enhance their own individual performance against macro and micro environmental factors by conducting a similar research specific to their operating environments. This will, thereafter, lead to an overall economic enhancement. Other institutions in the banking industry will also benefit from the information by implementing the recommendations forwarded. They may also conduct such investigations specific to their own micro and macro environments.
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DEDICATION

I dedicate this project to my family and friends who have supported me all through my studies.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Globalization and Internationalization are expressions which became common in many economic institutions (Adler, 2008). The influencing factors can be seen from the internal point of view of a company, defined as the so-called microeconomic factors (Mussnig 2007) and from the outside point of view, the so-called macroeconomic factors (McCarthy 1975). As such globalization of the economy and the technological changes has transformed the business environment, with new challenges and opportunities emerging for firms both internally and externally (Hansen, 2004; Johanson, 2009).

For organizations that would wish to be ahead of competition, issues related to environmental changes tend to evoke an image of concern. Yet, it is given that the changes have serious economic effects among the general population with the turbulent business setting in which they have to operate as well (Wright, 2002). Wright asserts that, if ignored, the alterations in the environment can eventually compromise a financial organization’s profitability, and long-standing viability. In general, we can say the changing universal context has been described by three key trends: globalization raising inequality and insecurity; complex political emergencies; and continuous call for international cooperation to address these changes, especially by reforming global institutions (Homburg, 2007). Increased competition, developing customer needs and responsiveness to firm’s environment has become a vital factor for companies. This is to say that a business’s product/services may be the results of complex activities (Coviello, 2008). The macro-environment of an organization in business is described as “the outline of all the external situations and influences that affect its life and development” while the micro-environment of an organization in business is described as “the pattern of all the internal conditions and influences that affect its life and development” (Minzberg, 2012).

According to Glendy (2000), organization’s macro environment consists of nonspecific aspects in the establishment’s surroundings that have the ability to affect the organization’s
strategies. When contrasted with a firm’s task environment, the effect of macro-environmental variables is less direct and the business has a more limited impact on these environmental elements.

The business environment is comprised of a set of relationships between stakeholders or agents in the environment – associations that are altered by individual decisions taken. These interactions continuously “co-create” the environment. The business surroundings are changing faster than ever before (Loewen, 2002; Conner, 2003), with such transformation occurring in two major dimensions, turbulence and complexity (Robbins, 2001)

Complexity is a measure of diversity or heterogeneity in environmental sub-factors such as suppliers, customers, technology, and socio-politics. Difficulty in understanding and employing information to plan and predict result from the continuous increase in complexity. Increase in complexity in systems leads to change and all systems undergo this increase. As systems become more complex, making sense of them becomes increasingly difficult and adaptation to the changing environment becomes more problematic (Mason, 2007).

As a source of uncertainty and constraints, the external environment creates problems for organizations. While some organizations are affected by a large number of environmental factors, others are directly affected by only a few. Organizations that have to relate with a large number of environmental influences, over which they have little or no control, face turbulence and complexity (Prendergast and Berthon, 2000). Economic conditions change; unemployment levels change; interest rates fluctuate; government regulations are modified; consumer preferences change; and new technologies are presented in many businesses. All of these changes create turbulence. Firms dealing with turbulent environments must try to forecast and predict future conditions and develop strategies to cope in addition to constantly monitoring changing environmental conditions. They must respond quickly.

Banks for a long time were considered to be operating in a relatively environmentally friendly environment and were in most instances slow to examine the environmental performance of their clients and competitors. The situation has now changed and there is growing awareness that environment brings risks and opportunities.
Change and turbulence means that organizations must collect more information concerning their environments. Increase in turbulence raises the amount of information that is required in successfully managing performance. Managerial preference about how to handle turbulence affects decisions about the competences, resources, and organizational structures that later become the underpinning of the company’s competitive advantage. Information technology is such a resource. The most common philosophy is that executives in firms facing high turbulence must depend on great amounts of information-based planning to manage the unpredictable, changing conditions, while executives in firms facing low turbulence need minimal administrative planning (Miller and Friensen, 2003), and actually, spend minimal time on decision making. As Miller and Friensen argued, “A dynamic environment must be studied more carefully and diligently to afford executives with an adequate degree of mastery”.

If a firm wants to be on a competitive lead, it should manage to conceive the whole value-adding system and execute it. A firm should always be ready to do studies on the micro environment factors and find out responsiveness. This is because an organization’s success can be influenced by her environment factors. These factors could be seen as shareholders, employees, suppliers, customers, competitors, and others. Companies need to strive hard to offer benefits that are better compared to those of the competitor (Evans & Berman, 2001).

A firm can add-value if the company involves customers and make them intelligent/knowledgeable when adding value for their offering. To be on the safe side, establishments should have continuously restructured, redesigned and redefined company’s networks and competencies in order to keep the value-adding undertakings responsive. This phenomenon can make it possible to identify the success of most firms and failures of other companies (Schilke et al., 2009).

Towards the end of 2012, the international economic downturn increased in strength. Europe was running against the wind and several countries saw decreasing growth rates. Increased exports of services partly compensated exports of goods that were dropping significantly in Sweden. The total imports dropped while exports were unchanged, which resulted in a positive influence from net exports growth to Gross Domestic Product of 0.5 percentage
points. Following the weak export trend, forward looking indicators point to future improvements if environmental factors will be put into consideration during value-addition (Sinkovics, 2013).

In a company’s environment (competitors and customers), researchers in marketing have asserted that responses to competitor and customer changes can have several beneficial consequences for a firm (Jayachandran et al., 2004). This implies that companies should, therefore, strive to respond always to the threat and opportunity posed from the organization’s changing environment. The firm can find it hard to compete against the competitor, if a business does not take into account the competitors’ responsiveness. Companies marketing strategies should be able to attract and keep customers with products that meet their needs since every firm needs customers. It is always key to consider competitors’ and customers’ responsiveness to the changes.

The Kenyan Banking industry has evolved with time giving an opportunity for growth and emergence of a competitive market structure. As at 31st December 2015, the banking sector comprised of the regulatory authority as Central Bank of Kenya, 43 banking institutions (42 commercial banks and 1 mortgage finance company), 12 Microfinance Banks (MFBs), 8 representative offices of foreign banks, 15 Money Remittance Providers (MRPs), 3 credit reference bureaus (CRBs), and foreign exchange (forex) bureaus were eighty. Out of the 43 banking institutions, 40 were privately owned while the Kenya Government had majority ownership in 3 institutions. Of the 40 privately owned banks, 26 were locally owned (the controlling shareholders are domiciled in Kenya) while 14 were foreign-owned (many having minority shareholding). The 26 locally owned institutions comprised 25 commercial banks and 1 mortgage financier. Of the 14 foreign-owned institutions, all commercial banks, 10 were local subsidiaries of foreign banks while 4 were branches of foreign banks. All licensed microfinance banks, credit reference bureaus, forex bureaus and money remittance providers were privately owned (Central Bank of Kenya, 2015). As such, each bank has to study the external and internal environment, establish and implement strategies that will give them a competitive edge.

According to Illo (2012), performance can be defined as an approach to determining the
extent to which set goals or objectives of an organization are achieved in a particular period of time. The goals or objectives can be in non-financial or financial terms; therefore, performance can also be financial or non-financial (Friendman, 2010). Evaluating public institution performance is a complex process that involves assessing interaction between the environment, internal operations and external activities. The primary technique of evaluating internal performance is analyzing accounting data. In general, a number of financial ratios are usually used to assess the performance of financial intermediaries. Financial ratios usually offer a broader understanding of the company financial condition since they are constructed from accounting data contained in the company’s balance sheet and financial statements. The macro-environmental conditions of a firm that constitutes its surroundings include all the elements which operate outside her territory and can have the prospect of impacting positively or negatively on the performance of the firm while the micro-environmental conditions of a firm include all the elements which operate within her territory and can also have the prospect of impacting either positively or negatively on the performance of the firm (Pearce and Robinson, 2005).

Barclays Bank of Kenya Limited is a subsidiary of Barclays Plc UK. It is one of the biggest banks in Kenya. The bank is foreign owned but locally incorporated. Barclays has operated for over 90 years in Kenya and has an extensive network of 117 outlets with more than 230 ATMs spread across the country. The Bank's financial performance over the years has built confidence among shareholders, with a reputation as one of the foremost blue chip companies on the Nairobi Stock Exchange. Its headquarters are located in the capital city of Kenya, Nairobi in Barclays Plaza. Barclays Bank of Kenya has four business units namely retail (consumer) banking, corporate banking, treasury and card services (Kimani, 2011).

Barclays bank has a three-tier structure of ownership placing Barclays Bank PLC at the top, followed by Barclays Bank Africa, and then Barclays Bank Kenya. In terms of contribution to profit and size of operations, Barclays Kenya is currently the largest business unit in the Barclays Africa family. In Kenya, it prides of a balance sheet worth Ksh 75 billion (US$ 1 billion), which is comparable to 10% of the country's GDP, (Mutunkei, 2003).
Barclays Bank Kenya was listed on the Nairobi Stock Exchange in 1986 and currently has 34,000 Kenyan shareholders. Kenyan shareholders own 35% of Barclays Kenya Ltd., while 65% is owned by Barclays Africa. Its shares are some of the most sought after and are popular with both corporate and retail clients. The Central Bank of Kenya and the Banking Supervision Unit supervise Barclays Bank of Kenya (Nderi, 2006).

According to Mutiga (2003), Kenya's banking sector is still faced with many challenges. Many banks are still reeling under huge bad debt portfolios and a legacy of poor risk management, mismatched books, a hostile economic environment, and bad governance. Debate is currently taking place as to whether this can be addressed on an industry wide basis. A financial sector study took place in 2003 that looked at how the sector can be rationalized. How to regulate emerging players in the financial sector like savings and credit societies and micro finance institutions is a major area of concern. There is also the debate about the role of the government in the financial sector and in particular, the role of development financial institutions.

1.2 Statement of the Problem

In the phase of changing economic times and systems fueled by diverse factors, any business needs to update their systems to survive and thrive in the market. Over the last few years, many businesses have collapsed, with other opting to sell their shares to avoid eventual loss. Banks like Imperial and Chase Bank recently went under receivership due to alleged tough economic times. As such, it is important to study environmental factors in which the businesses operate since they aggregately affect performance dictating whether a system will thrive or collapse. Barclays Bank is one of the banks operating within these environments and in the recent past they have spoken of selling their shares with regard to their Africa’s branches due to intense market environments that makes the bank perform dismally compared to its performance in the past.

Dwyer, Edwards, Mistilis, Roman and Scott, (2009) suggest that organizations operate in increasingly complex, sophisticated and competitive environments fueled by technological advances, economic growth and fluctuations, and the realization that resources are limited.
The external operating environment considerably influences the performance of companies through changes in technology, the market, competition, and customer demand (Cadogan et al., 2002) rapidly changing electronic technology has changed how customers interact with their financial institutions (Krishnan et al., 2003). Just over a fairly short period of time, the banking industry in Kenya has changed significantly with a very competitive marketplace (The Banking Survey Kenya, 2008).

In Kenya, however, no known studies have been carried out to identify how environmental factors affect profitability. No equivalent study is recorded to have been carried out on Barclays Bank, yet it has existed for a very long time and has faced a lot of environmental factors that have in some way affected the Bank’s performance. Barclays Bank of Kenya cannot fully rely on information obtained from studies carried in other parts of the world and on non-financial institutions to make deductions for her strategic management. This study therefore sought to address the knowledge gap that exists on the effects of environmental factors on performance while concentrating specifically on Barclays Bank. This will give the Bank a fair competitive ground, knowing how to operate in her environment and thus improve her performance.

1.3 Purpose of Study

The main purpose of this study was to investigate the effects of environmental factors on performance; a case study of Barclays Bank.

1.4 Research Questions

The Study was guided by the research questions below:

1.4.1 Which macro environmental factors affect the performance of Barclays Bank?

1.4.2 Which micro environmental factors affect the performance of Barclays Bank?

1.4.3 What are the effects of environmental factors on Barclays Banks’ performance?
1.5 Importance of the Study

1.5.1 Researchers

Through its environmental analysis that the banking industry functions in, the effects of turbulence on the organizational performance and eventually validating the use of environmental monitoring as a tool to manage discontinuous change, this study will add to the already prevailing studies in the area of performance in turbulent environments. Additionally, this will provide a reference point for other intellectuals studying similar disciplines.

1.5.2 Bank Management in Kenya

Management will be able to understand the importance of aligning their organizations strategy to the levels of turbulence in the environment, through this study, and further, through the study of effects of environmental factors on performance, the management of banks will understand the immense importance of their ability to successfully implement their company’s strategy which is aligned to the level of turbulence that they operate in.

This study will be of importance to the management of banks in helping them understand the environment and therefore develop appropriate responses to the challenges posed by the dynamic nature of the environment for optimum performance.

1.5.3 Consultants

This research will act as a point of reference to consultants having projects in the banking industry and will greatly impart in realizing optimum performance even in turbulent environments.

1.6 Scope of the Study

This study covered the responses from Barclays Bank Kenya on how environmental factors affect her performance. It covered the ways in which both macro and micro environmental factors faced by the Bank influence her performance. Geographically, the study was limited
to the Head Office in Nairobi, Kenya, in Barclays Plaza with the assumption that the responses would represent the views of other employees in the branches countrywide. Inferences were made from the response given by selected employees and managerial staff in different departments of the Bank; a sample representative of the entire Bank’s population. The study was conducted for a period of one month. The only limitation to the study was the fear of the respondents being victimized by the information given and hence holding back relevant information and time limitation in that respondents would not finish answering the questionnaires on time. This was however taken care of by assuring them that participation is entirely voluntary and that the identity of the respondents would remain anonymous. The respondents were given enough time to respond to the questionnaires but those unable to finish within the time were excused when sufficient responses for the validity and reliability of the research were obtained. They were also assured that the purpose of the study was entirely academic and the results would be made available to them upon request.

1.7 Definition of Terms

1.7.1 Strategic Management

According to Pearce and Robinson (2007) strategic management is the set of actions and decisions that lead to plans/strategies’ formulation and implementation designed to achieve an institution’s objectives

1.7.2 Turbulence

Environmental turbulence is dynamism in the environment, involving rapid and unexpected alteration in the environmental sub-dimensions. Turbulence results from fluctuations in and interaction between environmental factors mostly because of technological advances (Conner, 2003; Vorhies, 2003).

1.7.3 Strategic Issues

This implies to a forthcoming development, either outside or inside an organization likely to have a significant impact on the capacity of the enterprise to meet its goals (Ansoff, 1980).
1.7.4 Complexity

Complexity is the measure of diversity or heterogeneity in environmental sub-factors such as suppliers, customers, technology, and socio-politics. Increasing complexity leads to change and all systems increase in complexity (Mason, 2007).

1.7.5 Economic factors

These refer to interest rates, taxes, government policies, management and labour costs that determine the current and future value of investment portfolio (Leonidou, 2004).

1.7.6 Economy

Economy refers to the resources of a country in terms of production and consumption of goods and services that determine her wealth (Barkauskas, 2015).

1.7.7 Financial Indicators

These are earnings or cash-flow trends that show the well-being of an economy or a given investment (Yadin, 2002).

1.7.8 Macro-environment Factors

These refer to major external factors that may be uncontrollable which influence an institution’s decisions, strategies and performance. They include natural forces, political, legal and social conditions; demographics, technology and economics factors (Conner, 2003; Vorhies, 2003).

1.7.9 Management

This is the leadership of an organization or firm tasked with controlling the activities thereof to ensure successful running (Porter, 2004)

1.7.10 Micro-environment Factors

These are internal factors that determine an institution’s ability to effectively serve its
customers. These include management, motivation, strategies among others (Ansoff, 1980).

1.7.11 Non-financial Indicators

They are the quantitative measure of an entity’s or individual’s performance that is not measured in monetary terms (Yadin, 2002).

1.7.12 Performance

This refers to the accomplishment of a given task measured against preset goals, completeness, speed, costs and standards of accuracy (Ansoff, 1980).

1.8 Chapter Summary

This chapter focuses on establishing grounds for this study. Specifically, it concentrates on determining the background effect of turbulence in the banking industry. It takes a step further to analyze previous research which has been conducted in the field of turbulence which forms the basis and discussion. The chapter then narrows down with focus specifically on Barclays Bank which is the case study. It explains its aim to investigate the effects of environmental factors on performance, Barclays Bank being the case study. The chapter also includes the statement of the problem, significance and scope of the study as well as a list containing definition of terms.

The following chapters will include a literature review and methodology. Chapter two contains the literature review on what other authors had said about external factors and how they influence performance of firms. Chapter three addresses the research methodology and the type of data collection method used for this research. Chapter four addresses the key results of the data and findings while chapter five contains discussions of the findings, conclusions and recommendations.
2.0 LITERATURE REVIEW

2.1 Introduction

This chapter presents an examination of the literature interconnected to the aim of the study. It is structured inline with the three specific objectives developed in the preceding chapter which include the examination of micro environmental factors faced by Barclays Bank; the examination of macro environment factors faced by Barclays Bank and the relationship between the environmental factors and the performance of Barclays Bank. A conceptual framework is then developed from this review.

2.2 Effects of Macro Environmental Factors on Performance

In analyzing the macro-environment of an institution, it is important to identify the issues that might in turn affect a number of important variables that are likely to influence the firm’s demand and supply levels and its costs (Johnson and Scholes, 1993). The analysis examines the impact of each of the factors on the business. The results can be used to take advantage of opportunities and to make emergency plans for threats when preparing strategic plans and business (Byars, 1991). Kotler (1998) claims that P.E.S.T analysis is a useful tactical tool for understanding market decline or growth, business position, potential and direction for operations. The use of P.E.S.T. analysis can be seen effective for business and strategic planning, marketing planning, product and business development and research reports. P.E.S.T. also ensures that organization’s performance is aligned positively with the powerful change forces that are affecting business environment (Porter, 2004).

Pearce & Robinson (2011) explain that the remote environment comprises of factors that originate beyond and usually are irrespective of a firm’s operating situation. They additionally explain that the environment gives firms opportunities, threats and constraints but rarely does a company exert any meaningful reciprocal impact.

According to Beatham et al. (2004), institutions measure their performance in financial terms; turnover and profit. Various research findings on performance management, however,
advocate for an emphasis on both financial and nonfinancial dimensions of organizational performance such as service quality, competitiveness, organizational flexibility, customer satisfaction, resource utilization and technology (Harris and Mongiello, 2001; Atkinson and Brander-Brown, 2001). Cadogan et.al (2002) explains that the macro environment of a company has significant influence on the performance; factors that influence firms include technology, market changes, competition and customer demands. According to Isik, Arditi, Dilmen and Birgonul (2010), managing the negative and positive effects of exogenous factors has the power to reform corporate-wide characteristics.

2.2.1 Economic Factors

According to Barkauskas (2014) economic factors have the biggest effect on the development of any given organization. Botezat (2003) states that the development and performance of organizations strongly depend on the growth of revenue. Ramauskin (2010) noted that a rise in wages enable people to spend more money. This factor greatly affects institutions that collect revenue (Barkauskas, 2015).

National taxation, interest rate fluctuations, currency and raw material prices are forces that strongly impact on the global market (Yadin, 2002). Other economic forces are business cycles, stock market values, GDP (gross domestic product per capita) figures and inflation (Johnson, 2005; O'Connor, 2000). When considering any business in a country, the size of these forces is very important for instance, the GDP size.

Entry modes having low break-even sales volumes such as indirect exporting are favored by a small market (Root, 1998). This becomes more applicable when the industry is concentrating on a specific smaller segment of a large market (Johnson, 2005). An agreement with the local distribution channels is vital to gain access to each national market. Shipping arrangements, documentation, and other issues over and over again make it hard and expensive for small companies to export (Leonidou, 2004). Need for local sales services and groups, transportation time and complicated adjustments of price and performance are the factors that should be considered carefully. Cost can be hiked when it comes to a product that is of great value or needs to be delivered fast (Porter, 1998). Economic factors’ analysis has
shown that in the overall economic growth case, the performance of organizations attracts and increases good will from other sectors in a state (Barkauskas, 2015).

Dess et al. (2008) assert that the economy that institutions operate in has a significant influence on all industries including manufacturers, suppliers, service providers, wholesale, retail, government and non-governmental institutions. There are various fundamental economic indicators used by companies in assessing the economic environment that include unemployment rates, interest rates, the consumer price index, the gross domestic product, and the net disposable income. Pearce and Robinson (2011) agree with this by asserting that consumption patterns are influenced by the effect of various market segments making it imperative for each company to consider the economic trends that touch its industry and this must be done at both the international levels and be narrowed down to the national levels.

Tang, Thomas, Thomas and Bozetto (2006), concluded in their research on modeling financial product purchases that economic factors play a vital role along with individual precise characteristics in determining the customers’ purchasing behaviors. They additionally suggest that if an economy is unfavorable, then the organizations’ marketing departments will need to be selective in targeting their products as only certain specific groups will probably purchase their them. On the overall Tang et al. believe that the interaction between economic variables and socio-demographic variables are most significant in improving the segmenting or targeting of customers by providing predictive purchase rankings and providing accurate predictions of future purchases.

2.2.2 Technological Factors

The technological environment includes research, knowledge and technology (Snieskiene 2009). Technological factors increase the country’s competitiveness through the provision of timely and effective information, the modernization of servicing system, the assurance of the appropriate level of quality and other measures based on innovations and adapted technology (Barkauskas, 2015). Barkauskas asserts that when using modern technology and information systems, it is necessary to achieve that institutional information would be available for residents of a given country and people from foreign countries as well.
The increased use of computer programs, technological trends and innovations, increasing speeds in producing units, smart systems, improvements in artificial intelligence and diversification are examples of technological forces (O'Connor, 2000). Electricity, telecommunications, railroads, water supply and natural gas are some of the factors that attract potential investors in a given place (Johnson, 2005). According to Root (2008), high transportation cost makes it hard for external parties to compete with local products, especially when there is a large distance between the two countries. In developed countries like the United States, Germany and Sweden the infrastructure is generally better compared to that in developing countries (Kessides, 2004).

According to Hjalager (2002), institutional performance is inevitably associated with new technologies, the organizational and structural innovations. As Maksimenko. (2008) note, it is necessary to provide management and marketing knowledge to rural residents as well as to develop the information for all stakeholders when reorganizing and improving the information system of any organization and the marking system of revenue collection (Barkauskas, 2015)

Dess et al. (2008), explain that technological developments result in new services and products and improve on the process through which products are designed/ made and delivered to intended users. Victorino et al. (2005) assert that customers have different IT expectations and requirements, each customer segment may need and, therefore, request different types of IT applications. Burca et al. (2005) assert that in order for a firm to become technologically sophisticated it needs to possess a robust scientific-technological base, novel technology has to quickly make existing ones outdated and new applications in IT should create new demand or revolutionize demands and markets. In their study on the relationship between business performance, service practices and performance, and IT sophistication. Burca et al. (2006) concluded that sophistication in IT moderates the relationship of service practice against service performance.

Additionally the relationship between Strategic Orientation, Organization Structure, Information Technology and Firm Performance also has been the point of focus for many researchers (Croteau et al., 2001; Bergeron et al., 2004). In response to anticipated alterations
in the environment, companies deploy Information Technology at an increasing rate; hence, making investments in Information Technology a major concern for executives in organizations (Bergeron et al., 2004). Further, Sriram and Krishman (2003) find that investments in IT are considered as a significant and value increasing activity for the average firm by the stock market. Bergeron concludes by suggesting that Information Technology needs to fit an organization’s environment, structure and strategy.

2.2.3 Socio-cultural Factors

Dess et al. (2008), suggest that beliefs, values, and lifestyles of a society are influenced by socio-cultural forces. They further expound that socio-cultural forces influence sales of services and products through the enhancement of sale of services and products of an industry while suppressing those of others.

Consumer purchases are strongly influenced by cultural, social, personal and psychological characteristics; generally marketers can’t control these factors but instead take them into account (Armstrong and Kotter, 2000). Keegan et al. (1992) suggest that there are internal and external factors that influence consumer behavior; external factors include economic, demographic, situational, social and technological factors while internal factors include attitudes and beliefs, learning needs and motives, perception and values, and personality.

Armstrong and Kotler (2000) reinforce this by explaining the buying behavior and choices of persons are influenced by four major psychological factors: perception, motivation, beliefs and attitudes and learning. Attitudes describe a person’s consistent feelings, evaluations, and inclinations towards an idea or object, thus they place people into a mind frame for disliking or liking things, for moving toward or away from them (Armstrong and Kotler, 2000). The creation of target market strategies is, therefore, widely viewed as integral to formulating an business strategy that is effective (Doyle, 2006; Grant, 2004) bringing the market segmentation concept which is often cited as essential to establishing a target market strategy (Kotler and Keller, 2005).
2.2.4 Political Component and Legal Factors

The political-legal environment includes such factors as political stability, strategic development objectives, small and medium business promoting, the government executed institutional promotion and regulatory policy, the government’s support and the business of an institution’s regulating legislation. Legal and bureaucratic restrictions are one of the main obstacles to the development of revenue collection business. Usually legal documents promote the revenue collection activity and therefore its performance but there are cases when due to specific conditions, the activity may be legally restricted (Barkauskas, 2015).

According to O'Connor (2000), political forces influencing performance in the business world include: wars and diplomatic relations, trade agreements, sanctions and embargoes, political trends and events, legislation protecting consumers and safety and health of the employees. Political inputs are most likely to happen in branches that, affects certain political goals, such as native access to national resources, defense and employment (Porter, 1998). If the market’s economy is centrally planned socialist economy, political factors tend to have an impact on the entry mode and performance of the business (Root, 2008). According to Cheverton (2004), government actions are together with suppliers and customers part of the business process. Some kind of legislation can also belong to either political or legal forces depending on its nature and local circumstances. The legislation is used to restrict for example marketing activities, particularly in industrialized countries (Yadin, 2002). According to Barkauskas (2015), ideal conditions for the development of revenue collection institutions are political stability, security, well-defined and functioning legal system, public goods provided by the state – infrastructure, environment, information.

Dess et al. (2008) state that legislation and political processes both have an influence on the environmental settings that an industry or firm must conform to. Moreover, they suggest that legislation formulated and passed by governments have significant impact on the firms’ governance. Political constraints may be put on companies through anti-trust laws, fair trade regulations, minimum wage regulations, tax programs, pollution and pricing policies and this
may be perceived as protecting employees, consumers, and the environment and would restrict the profitability and performance of an organization. Through patent laws, product research grants, government subsidiaries, legislation and political actions may, on the other hand, protect firms or even boost their profitability (Pearce & Robinson, 2005).

Xinming, Zhilong, Jinfeng and Muhammad (2012), further suggest that it is important for an organization to establish a political connection with a government. The political connection that a firm has with the government influences its strategic choice only to further influence strategy implementation and on the overall, corporate performance. The environment that organizations operate in includes market and non-market dimensions, the better portion of non-market dimensions is the political environment and this plays a key role in the growth of enterprises. Therefore, the corporate strategy of an organization should consist of both market and political strategies (Tian et al., 2003; Zhang and Zhang, 2005).

One of the main barriers to global competition, which suffers when national markets require different products, are the regulations concerning the cost of changing the products so they meet national market needs (Porter, 1998). According to Leonidou (2004), the legal forces are policies and legislative regulations which are barriers for foreign business to enter the local market. Barriers like these protect a country’s own production from foreign investors who would otherwise completely take over the economy (Root, 2008). The higher the barriers, the more attractive the local production (Porter, 1998; Leonidou, 2004). Porter (1998) asserts that other legal barriers are world laws concerning bribes and taxes if they are set to negatively influence the global trade. Customs documentation and shipping arrangements are other issues that make it often hard and costly for firms to export (Leonidou, 2004). Technical norms, different legal restrictions and building regulations bring out different variants of products on the national market.

2.3 Effects of Micro Environmental Factors on Performance

The micro environment entails the factors having a direct bearing on an enterprise’s performance. Unlike the macro factors, these factors are more closely linked with the business. The micro environment factors are as discussed below:
2.3.1 The Competitive Environment

The success of an entity depends upon its ability to gratify the wants and needs of clients better than those of its competitors. The most common competition which a product of a company now faces is from differentiated products of other businesses. Neelamegam is of the view that the best way for a firm to grasp its competition’s full range is to take the buyers’ viewpoint (Neelamegam, 2008).

Dess et al. (2008), submit that in addition to the remote environment, managers need to take into consideration the industry environment, commonly known as the competitive environment. Competitiveness refers to positioning a business according to the firm’s weaknesses and strengths such as its intangible and tangible assets and its managerial competencies (Isik, Arditi, Dilmen and Birgonul, 2010).

Kale and Arditi (2003) suggest that a business’s environment hosts competitive forces and a firm’s strategic performance is strongly correlated with its ability to handle the effects of competition. Dess et al. (2008), also assert that the nature of competition in an industry and an organization’s profitability of are directly linked to the competitive environment. The competitive environment comprises of competitors (potential and existing), suppliers and customers.

The market place that organizations function in is confronted by intensified competition (Sivadas and Baker-Prewitt, 2000). Casu and Girardone (2009) suggest that competition is generally considered to have a positive influence on the international competitiveness, innovation and efficiency of an industry.

According to Porter (2008), rivalry’s degree depends on the the basis and intensity of competition. Intense rivalry is as a consequence of several interacting factors which include; slow industry growth, numerous or equally powerful competitors, lack of differentiation, high fixed or storage costs, and high exit barriers.

Hopkins (2008) explains that the more the rivals there are in an industry, the higher the
competitive pressure coming from them. Hopkins asserts that a slow growth rate increases the competitive rivalry since businesses have a greater tendency to compete with their rivals and always try to steal market share.

Industries need to develop their strategies efficiently after scrutinizing the environment of the business they operate in (Singh et al., 2010). Researchers have discovered that the strategy of an institution is established by its competitive environment and that matching appropriate strategy and the environment enhances its performance (Baines and Langfield-Smith, 2003; Chenhall and Langfield-Smith, 2003; Singh et al., 2010).

Dess et al. (2008) describe the threat of new entrants as the possibility that the profits of established firms in the trade may be eroded by the entry of new competitors. Pearce and Robinson (2011) explain that new entrants to an industry bring new capability, the desire to often gain substantial resources and market share; often, organizations diversifying through acquisition into an industry often leverage resources to cause a shake-up.

According to Pearce and Robinson (2011), the seriousness of the threat of entry depends on the barriers to entry and the existing competitors’ reaction that the entrant can expect, if barriers to entry are high and a new entrant expects sharp retaliation from existing competitors then they don’t pose a serious threat of entering the market or industry. The six barriers to entry include economies of scale, differentiation, capital requirements, switching costs, access to distribution channels and cost disadvantages (Dess et al. 2008). Thompson et al. (2008) add to the factors that increase the threat of new entries a large pool of entry candidates with sufficient resources, the possibility of market proliferation by the existing firms, high expectations of new entrants to make high profits, an increase in buyers demand and finally the failure of existing firms to robustly contest new comer’s entry.

Existing firms defend their markets by retaliating once new competition enters their market (Chen and Miller, 1994). In some situations existing firms wait for others to react and then follow or do nothing on the other hand they are unable to compete with the new market entrants and choose to exist the market (Nargundkar et al., 1996). Failure to consider competitor reaction may result in the drawing of the wrong conclusion by a firm of its actions.
(Porter, 1980; Putsis and Dhar, 1998); therefore successful firms look onward by taking a
dynamic view of competition as a series of moves and counter moves. However, despite its
importance, various firms pay little attention to the reaction of competitors in their decision
making and usually think, at best, in terms of only one move instead of multiple moves
(Reibstein and Chussil, 1997).

2.3.2 Customers

Creation of a customer is the drive of any business entity. An enterprise exists only because
of its customer. A firm may have different categories of clienteles like industries and other
commercial establishments, household, individuals, and government institutions. Depending
on one customer is often too risky since it may place the company in a poor bargaining
position. With the growing Globalization, the consumer environment is increasingly
becoming universal (Cherunilam et al., 2007).

Dess et al. (2008), state that buyers pose a threat to an industry by forcing down prices,
bargaining for better quality and playing competitors against each other. The power of each
buyer group is dependent on the attributes of the prevailing market situation in the level of
importance of that group. A buyer group is powerful when it purchases large volumes of a
product or service relative to the seller’s sales, the products of the industry are
undifferentiated, the buyers face few switching costs and the buyers pose a threat of
backward integration.

Singh and Sirdeshmukh (2000) asserts that besides buyer bargaining power, in the twenty
first century customer retention is a customer loyalty is rapidly becoming the market place
currency. Anderson and Narus (2004), further suggest that better and more effective strategy
than continuously trying to acquire new customers in order to replace defecting customers
therefore making it evident that customers play a great role in organizational performance.

In addition to the above, Singh and Ranchhod (2004) state that customer orientation has a
positive impact on the performance of an organization. As popularly conceptualized, a
company’s market orientation incorporates customer orientation and competitive orientation.
While customer orientation focuses on the needs and wants of customers, competitive
orientation emphasizes on competitive threats (Kirca et al., 2005). On the overall, an organization is faced with the threat of buyer bargaining power coupled together with the daunting task of constantly satisfying the needs of their clients. Despite all this, through the collection and sharing of information on customers “needs and competitors” actions, organizations can be more sensitive to customers “needs and more responsive to competitors” moves, therefore being able to respond rapidly.

2.3.3 Suppliers

These are the individuals and firms that supply the input like raw materials and components to the enterprise. It is fundamental to have a reliable source of supply. Uncertainty concerning the supply or other supply challenges will compel the firms to maintain high costs. It is significantly risky to depend on one supplier, hence, the business should have multiple sources of supply (Cherunilam et al., 2007).

According to Pearce & Robinson (2011), suppliers can exert power participants in the industry by reducing the quality of purchased services and goods or by raising prices, therefore, powerful suppliers can squeeze profitability out of an industry. Supplier bargaining power is high when the supplier group is dominated by few companies, the supplier is not threatened by substitute products, the industry is not an important customer of the supplier group, the suppliers good is an important input to the buyers business, the supplier groups products have established switching costs for the purchaser and the supplier group poses a credible threat of forward integration (Dess, Lumpkin & Esiner, 2008).

Burnham et al. (2003) describes switching costs as “the onetime costs that customers relate with, in the process involved in switching from one provider to another”, according to Kim and Son (2009) switching costs are clienteles costs from switching and can be referred to as switching barriers and switching costs can be considered as benefit from constraints. There are different types of switching costs. Burnham et al. (2003) present them as financial switching costs, relational switching costs and procedural switching costs.

On the other hand Haile´n et al. (1991), explain that dependent suppliers are more likely to make changes to their product processes, product specifications and inventory to meet the
buyer’s needs. Suppliers who are more dependent on a buyer also are more willing to cooperate with the buyer by being involved in product development activities (Laamanen, 2005; Provan, 1993; Takeishi, 2001).

2.3.4 Substitute Products and Services

According to Dess, Lumpkin and Esiner (2008), all firms within a given industry compete with industries or firms producing substitute goods and services. Substitutes reduce potential returns or profits by placing ceilings on the prices that a firm can profitably charge. Porter (2008) explains that a substitute product performs the same or similar function as an industry’s product through different means.

Pearce & Robinson (2011) explain that substitute products that deserve keen attention are those that are subject to trends improving their price-performance tradeoff with the industry’s product or are produced by industries earning high profits. Often, substitutes come rapidly into play if some development leads to increased competition in their industries and causes price reduction or performance improvement.

Pitta (2010), in a study on Product strategy in harsh economic times, highlights the three components of the threat of substitutes which includes switching costs, buyer inclination to substitute and the price performance trade-off of substitutes. Karagiannopoulos, Georgopoulos and Nikolopoulos (2005) concur when they suggest that the threat of substitution is affected by switching costs, they go ahead to explain that switching costs are associated with costs of retaining, retooling and redesigning that are incurred when a customer switches to another product or service.

According to Karagiannopoulos, Georgopoulos and Nikolopoulos (2005), the substitution process follows an S-shape curve, it begins slowly as trendsetters risk experimenting with the substitute then picks up if other customers follow suit and eventually levels off when almost all economical substitution possibilities have been exhausted. Pitta (2010) suggests that the threat of substitutes exists when a product’s demand is affected by changes in the price of substitute products, as more substitutes become more available, demand becomes more elastic since customers have more alternatives.
2.3.5 Marketing Intermediaries

These are the firms that help a firm to distribute, sell and promote its goods and services to the final consumers. They include physical distribution firms, middlemen, financial intermediaries, and marketing services agencies. Middlemen such as retailers and wholesalers buy merchandise and resell. Physical distribution companies such as transportation firms and warehouses help the company to stock and move products to their destination from their point of origin. Marketing service agencies such as marketing consulting firms, marketing research firms and advertising agencies help the business in targeting and promoting its products to the right markets. Financial intermediaries such as insurance companies, banks and credit companies insure against the risks associated with the buying and selling of goods or help in financial transactions. The firm has to develop strong relationship with all these for the successful operation of its business (Chidambaran et al., 2005).

2.3.6 Financiers

According to Joshi, Rosy, Kapoor and Sangam (2007), another important micro environmental factor is the financiers of a business. Besides the financing capabilities, their attitudes, strategies and policies (Including attitude towards risk), ability to provide non-financial support etc. are very important.

2.3.7 Public

A firm has to protect certain public’s interest within its environment. The consumer protection groups, local people, environmentalists and media persons are some of the well-known examples of public. Some businesses are seriously influenced by media public. Some businesses are affected by local publics. Environmental pollution is a matter often taken up by a number of local publics. Protests have been raised by non-government organizations (NGOs) against deindustrialization resulting from imports, cruelty to animals, child labour, environmental problems and so on. It is very important to deliberate the public views to keep afloat as a company (Cherunilam, 2007).
2.3.8 Labor

The firms, where many workers are employed, the labor force is organized in trade unions’ forms. The trade unions interact with the administration for bonus and higher wages, better working conditions among other things. They pressurize the management for the gratification of their demand and even resort to go slow tactics such as gherao, strikes, etc. (Joshi et al., 2007).

2.4 Effects of Environmental Factors on Performance

The environment of a business may be defined as the total surroundings, having a direct or indirect bearing on the functioning of business. It may also be defined as the set of external factors, such as economic factors, social factors, political and legal factors, and demographic factors, technical factors, among others, which are uncontrollable in nature and affect the business decisions of a firm (Obasan, 2014). Different institutions are affected by different numbers and kinds of environmental factors. External environmental factors change speedily, are uncertain, and complex, and may create problems for organizations if not closely monitored. Any organization ignoring or being unresponsive to environmental factors is creating trouble or inviting trouble. Environment factors affect the relationship between strategic planning and performance (Cheng-Hua et al., 2011). Several researchers have argued that the direction of performance depends on organizational environment. For example, the relationship between market orientation and performance may be moderated by market and technological turbulence and competitive intensity (Subramanian et al., 2009).

Business environment is complicated by dynamics of change and competitive, producing a degree of uncertainty such that the nature of the improvement of results after total quality management implementation is unclear hence calling for close monitoring as a performance check (Montes et al., 2003). Environmental factors significantly influence business strategies in the banking industry (Oparanma et al., 2009). Cheng-Hua et al. (2011) also asserts that environmental variables can moderate the effect of management strategies, therefore, significantly affecting performance. Environmental uncertainty arises from organizational ability to make environmental forecasts (Aziz et al., 2010). As a result, organizational decision making is influenced by the complexity and volatility of the environmental (May et
Organizations attempting to ignore environmental factors or that refuses to respond to such factors create trouble for themselves and place themselves at a competitive disadvantage. On the contrary, understanding and responsiveness can contribute to firms’ effectiveness and benefits.

Environmental factors that may influence business performance are many and varied; some are internal to the business while others are external to the business (Salihu, 2015). Today it becomes extremely essential for Commercial banks to examine their performance because their survival in the dynamic economic environment will be dependent upon their good performance (Okoth et al., 2013). The current business environment is marked by diverse dynamic features such as information technology, global competition, corporate social responsibility and quality service revolution which are compelling managers to rethink and reshape their approach to their various operation responsibilities. Due to this paradigm shift, new firms are emerging that are more responsive to both their internal and external environments (Obasan, 2014). The internal factors occur within the operational base of a business and directly affect the different aspect of business. These internal factors include firms Mission, resistance to change, poor quality staff, lapses in internal control, bad resource/financial management, operational weaknesses, high staff turnover and over-leveraging while the external factors include government regulation, economic recession, political turmoil, low cost competitors, changes in customer behavior, environmental or health issues, natural disasters, technological changes, change in input supply, changes in macro-economic variables and terrorist attacks. Hence, it is important for a business to keep a pace with the various changes in the environment in order to survive in the long run. According to Adebayo et al. (2005) business environment can be broadly categorized into internal and external environment with the former comprising variables or factors within the control and manipulation of the firm to attain set objective while the latter encompasses factors that are outside the control and manipulation of the firm. Hence, a firm must develop a plan that will help it to cope with the various environmental forces (Oluremi et al., 2011).

The nature of business environments are said to be classified as dynamic, stable and unstable which often help a firm in the selection of appropriate strategies that enhance achievement of maximum performance (Ibidun et al., 2013). Adeoye (2012) opined that in order for firms to
cope with the dynamic and swiftly changing business environment, there is a need to develop and implement appropriate strategies that will safeguard their operations and yield the desired results. Similarly, Ogundele (2005) added that a business perception of the nature of the business environment is a function of its size and industry. Business survival is the ability of a firm to continuously be in operation despite various challenges, that is, the managerial process of directing the affairs of a firm regularly on a going concern basis and meets the needs of all stakeholders (Akindele et al., 2012). Business failure is a situation where a business go into bankruptcy or cease operations which results in losses and failure to meet its various financial commitment to creditors. In order to survive, firms always keep a close tab on the various activities that determine their continuity. Adeoye (2012) submitted that the present form of complexities facing firms include leadership styles changes, market uncertainty, conflicts, culture, technology, structure, competitive market, profitability and workplace motivation. Hence, firms must develop a strategical plan and tactical procedure that is appropriate and adaptive to the present business environment that will aid its optimum resources utilization and attainment of set goals.

Alexander (2000) observed that the dynamic and swiftly changing business environment in which most businesses function has made business environment to have significant impact on organizational survival and performance. This implies that the external environment is complex and constantly changing and its significant characteristic is competition. The recognition of the presence of an intense competition often compel the need to seek more information about clientele for the purpose of evaluation and to use such information to their advantage consequently enabling competition to drive business organizations to look for their customers in order to understand better ways to meet their needs, wants, and thereby enhances organizational performance (Azhar, 2008). Porter (2004) developed the five forces of competitive position analysis as a simple framework for assessing and evaluating the competitive strength and position of a business organization. His theory is based on the concept that there are five forces which determine the competitive intensity and attractiveness of a market and helps to identify where power lies in a business situation. This is useful both in understanding the strength of an organization’s current competitive position, and the strength of a position that an organization may look to move into. The five forces are
supplier power, buyer power, threat of substitution, threat of new entry and competitive rivalry. Ogundele et al. (2004) submit that external business environment and their factors helps visualize the analysis of business survival and growth in an attempt to enhance understanding of how environmental factors work together with the variables of business survival and growth to determine the future of business organization.

Ghazali et al. (2010), indicated that the internal source of firm’s strengths are related to their financial resources while the weaknesses are associated to the firms’ management. On the other hand, the external source of opportunities to the companies are support and encouragement from the government while threats originate from the various bureaucratic procedures that firms have to face in order to get plan approval and certificate of fitness. Similarly, Norzalita et al. (2010) investigated the influence of the external environment in the market orientation performance linkage among firms in Malaysia and reported that market-technology turbulence and competitive intensity did not moderate the relationship between market orientation and business performance. Adeoye (2012) reported that environmental changes are continuously exerting new pressures on firms performance and in order to adapt with these changes, businesses often formulate and implement strategies to reorganize and reform the way products are manufactured and distributed to final customers. Thus, the influence of environmental factors on business performance towards profit objective is found to have increasingly stronger interrelationships which need more sophisticated business strategies.

To simplify the description of performance in the two environments (micro and macro environments) the terms ‘antagonistic’ and ‘synergistic’ were used by Lichtenthaler (2009) in his study on “Outbound open innovation and its effect on firm performance”. The same descriptions will be employed in this study. Performance upwards in a bad environment or downwards in a good environment is antagonistic, the performance and the environment acting in opposite directions on the character. Synergistic description is the reverse, upwards in a good environment or downwards in a bad, performance and environment acting in the same direction. In his study, directional selection in a single macro-environment was synergistic with respect to the micro-environmental differences, and increased environmental sensitivity and consequently to increase environmental variance. Both the micro and macro
environmental factors affected firm performance in the same direction; whether negative or positive.

2.5 Summary of Literature Review and Knowledge Gaps

Most of the studies done on the effects of macro and micro environmental factors have covered the stock market and direct profit making organization (Muchiri, 2012). Muchiri suggested in his research the need to replicate the study of these environmental factors in other sectors of the economy like public institutions in order to find out whether these factors influence the performance of the firm. Although many studies have been done on the performance of Barclays Bank, none has clearly captured the impacts of each micro and macro-environmental factor on the institution’s performance and the combination of the two. Thus this study sought to fill this research gap by carrying out a study on the effects of environmental factors on performance; a case study of Barclays Bank.

2.6 Conceptual Framework

To understand the long-term forces on the market is very important, it is also vital to know how they change. By recognizing and understanding the relevance of these changes faster than the competitors, the company can gain an advantage (Cheverton, 2004). Political factors, economic factors, technological factors and legal factors all combine to form the macro-environmental factors that play a big role in influencing the performance of Barclays Bank. At the same time, competitors, suppliers, customers, marketing intermediaries, financiers, the public, labor and regulatory agencies combine to form the micro environment that also affects the performance of Barclays Bank. The overall performance of the institution is affected by a combination of the environmental factors. This is as shown in figure 2.1 below:
Figure 2.1: Conceptual Framework

2.7 Chapter Summary

Chapter two presented a literature review on effects of environmental factors that organizations operate in on their performance bringing into context the importance of an organization carefully monitoring both the micro and macro environments that it operates in. The theories underpinning the study were intensively explored as well as the empirical literatures. Both the micro and macro environments were extensively covered and the research gaps explored. The next chapter discusses the methodology of the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

Chapter three describes the research design that was used in this study as well as the population and the design used to select the sample, incorporating the sampling frame, the sampling technique and the sample size. It also describes the data collection tools that were used to get information needed to achieve the objectives of the study and the research procedures used in the field during the study. It also covers the data analysis methods used while analyzing and interpreting the data and finally provides a summary of the chapter in the final section.

3.2 Research Design

A research design provides the glue that holds a research project together; it structures the research and shows how all the major parts of the project including the samples, measures, treatments or programs and the methods of the assignment work together to address the research questions (Brown et al, 2003).

The study carried out in this paper was a descriptive study. Descriptive case studies are designed to obtain pertinent and precise information concerning the current status of a phenomenon and wherever possible to draw valid general conclusions from the facts obtained.

As they described research design, Cooper and Schindler (2001) also explains that a descriptive study describes a phenomena or the characteristics associated with a subject population which stipulates answering who, what, where, when and how. Descriptive studies involve the estimation of proportion of the population and the discovery of associations among different relationships as well as the measurement of the cause and effect of relationships among variables.

The descriptive study design enabled an in-depth investigation into the subject under study.
The study aimed at collecting information concerning Barclays Bank’s environment factors and examining the information against the performance of the institution. It helped in the discovery of which environmental factors are faced during the operations of Barclays Bank’s activities, where and when they are mostly experienced and who causes them as well as whom they affect in the Bank. Finally, the descriptive design assisted in an in-depth look of how these factors affect the overall performance of the Bank.

3.3 Population and Sampling Design

3.3.1 Population

Population is the total collection of elements with common observable characteristics about which some inferences can be made (Mugenda and Mugenda, 1999). Cooper and Schindler (2008) describe a population as the total collection of elements whereby references have to be made. The target population for this research was the management and the employees of the Headquarters of Barclays Bank Kenya. They were opted for because they are fully engaged in the process of strategy formation and implementation. The information they gave could also be a representative of any other Barclays Bank Branch as well as any other bank as banks face almost the same set of challenges. The target population was 180 and was distributed in various departments and categorized as illustrated below:

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Department</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Banking</td>
<td>80</td>
<td>44</td>
</tr>
<tr>
<td>Corporate and Investment Banking</td>
<td>70</td>
<td>39</td>
</tr>
<tr>
<td>Consumer Cards and Payment</td>
<td>20</td>
<td>11</td>
</tr>
<tr>
<td>Human Resource</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>180</td>
<td>100</td>
</tr>
</tbody>
</table>

HR Department; Barclays Bank, Head Office
3.3.2 Sampling Design

3.3.2.1 Sampling Frame

A sample frame refers to a list of elements from which the sample is actually drawn and is closely related to the population (Cooper and Schindler, 2008). The list could be of geographical areas, institutions, individuals, or other units (Gill and Johnson, 2002). In this study, the sampling frame was obtained from Barclays Bank Kenya’s human resources department as the human resource department has the statistics on employee distribution in the Bank.

3.3.2.2 Sampling Technique

Sampling technique is the name (or other identification) of the specific procedure by which the units of the sample have been selected (Wolcott, 1997). In order to select an appropriate sample size the study employed probability sampling technique and in particular stratified sampling. Stratified random sampling subjects are selected in a way that the existing subgroups in the population are less reproduced thus samples will consist two or more groups. This method was the most suitable for this study because the population was divided into strata, that is, in departments namely, personal banking, corporate and investment banking, consumer cards and payment, and human resource.

3.3.2.3 Sample Size

A sample is a finite part of a population in statistics whose properties are to be studied to gain information about the whole (Jankowicz, 2002). Cooper and Schindler (2008) argue that a sample size as the set of elements from which data is collected. A good sample size should provide information that is detailed and comprehensive.

Researchers rarely survey the entire population for two reasons (Jackson et al., 2008): the population is dynamic such that the individuals making up the population may change over time and the cost is too high. The study used a target population of the total employees and
managerial staff as provided by Barclays Bank Headquarters Human Resource and a sample size of 30% of Barclays Bank Kenya’s head office staff was calculated. This sample (30% of the entire population) was representative as it was drawn from all the departments. The 30% sample is as such a large sample. Hainmueller (2007) states that a large sample size reduces sampling variability and also reduces the probability of biases. As defined by Mugenda and Mugenda (1999), for any meaningful study, 10-30% of the population is adequate. It is a reliable representation of the entire population. The sample size was presented as shown in the table below;

**Table 3.2: Sample Frame**

<table>
<thead>
<tr>
<th>Department</th>
<th>Frequency</th>
<th>Proportion</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Banking</td>
<td>80</td>
<td>30%</td>
<td>24</td>
</tr>
<tr>
<td>Corporate and Investment Banking</td>
<td>70</td>
<td>30%</td>
<td>21</td>
</tr>
<tr>
<td>Consumer Cards and Payment</td>
<td>20</td>
<td>30%</td>
<td>6</td>
</tr>
<tr>
<td>Human Resource</td>
<td>10</td>
<td>30%</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180</strong></td>
<td></td>
<td><strong>54</strong></td>
</tr>
</tbody>
</table>

**3.4 Data Collection Methods**

A letter of introduction elucidating the purpose of the study and the set time frames to complete the questionnaire was attached to the questionnaires, which were distributed by hand. Cooper and Schindler (2008) explain that a questionnaire is an instrument delivered by to the participant via personal or non-personal means that is completed by the participant.

The questionnaires contained both open ended as well as closed ended questions. Cooper and Schindler (2008) explain that questions may be structured in questionnaires therefore presenting participants with a fixed set of choices; often referred to as closed questions. On the other hand questions can also be unstructured therefore not limiting the responses but still providing a frame of reference for participants’ answers; often called open-ended questions. Both qualitative and quantitative data was collected; qualitative data mainly focussing on
respondents’ opinions while quantitative data will focus on the exact figures, mainly numerical data. A five Likert scale was used to get the respondents view in levels of their opinion. The sections of the questionnaires addressed each research objective which aimed to find out how each research questions affected performance.

### 3.5 Research Procedures

The research procedures section describes how the researcher will gather the relevant data for the study. The study employed a descriptive research design for the case study. The research objectives of this study provided the basis for which the questionnaires used as data collection instruments were designed and developed. A pilot test was conducted as recommended by Cooper and Schindler (2008) who explains a pilot test as a tool that is administered to detect weaknesses in the research design and instruments. A pilot study is a small scale preliminary study before the main research in order to measure the validity of data collection instruments, (Kothari, 2006). A series of tests needs to be conducted before ascertaining that the instrument for collecting data is good (Lee and Lings, 2008). Saunders, Lewis, and Thornhill (2012) also agree with this by suggesting that a pilot test will be carried out to identify problems and pilot testing will be used to evaluate questionnaires for ambiguities, flow, grammar and clarity of the questions. The pilot study also helped in knowing whether the questions to be responded to were relevant to the topic of the study and if they were reliable to make inferences that would lead to viable and credible conclusions. Collected data in the pilot study was analyzed using MS Excel and SPSS software.

Thereafter, the data collection instruments were fine-tuned to the basis of the feedback that was received from the pilot test and the final version of the data collection instrument was then administered to the respondents identified in the sample size. The questionnaires were administered manually, via hand delivery after briefing the established sample size. To ensure a high response rate, follow up was thoroughly done with each respondent being assisted personally to understand the concepts whenever they met difficulties in responding to the questions.
3.6 Data Analysis Methods

A codebook was prepared before entering the data collected in this study. Coding involved assigning of numbers and symbols to responses so that they can be grouped into a limited number of categories (Cooper & Schindler, 2008). According to Saunders et al., (2012) this enables the researcher to enter in data quickly and with fewer errors. Thereafter data cleaning was undertaken to ensure that only the relevant data was retained for the analysis. This process ensured that there was consistency across all the respondents and located omissions. It reduced errors in recording, improved legibility and clarified unclear and inappropriate responses (Cooper & Schindler, 2008). The cleaned data was thereafter statistically analyzed through Microsoft Excel and the Statistical Package for Social Scientists (SPSS) Version 20. Descriptive statistics such as frequency, means, percentages and standard deviation were used to summarize the data. Correlations were used to determine degree of associations between two linearly related variables and regression used to determine the relationship between the dependent and independent variables. The analyzed data has been presented using frequency distribution tables, pie charts and cross tabulations to give a simplified and clear picture of the findings. The information is presented and discussed in line with the research objectives.

3.7 Chapter Summary

This chapter discussed the methodology incorporating research design that was adopted in the research process was discussed. It highlighted the population under investigation as well as the sampling design giving details on the sampling frame, the sampling technique and the sample size. Further, the research instruments that were used to collect data have been specified. Finally, the research procedures used as well as the methods used in data analysis have been explained in this chapter. The proceeding chapters will discuss the research findings, present the analysis and present the discussions as well as the conclusion and recommendations.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents data analysis and discussions of the study findings on effects of environmental factors on performance: a case of Barclays Bank. The analysis is based on research questions and objectives as identified in the study and then analyzed using Microsoft Excel and SPSS software. The results have been presented in form of tables, charts and graphs. The chapter is then concluded by a chapter summary.

4.2 General Information

4.2.1 Response Rate

This study had targeted 54 respondents from the headquarters of Barclays Bank in Nairobi, Kenya. Questionnaires were given to randomly selected respondents in each departmental strata of the Bank. However, due to the study time limitations, 51 responses were achieved which represent 94% response rate which was a good response rate at it was above the 70% threshold (Mugenda & Mugenda, 2003). This formed the basis for the analysis presented in this chapter.

4.2.2 Gender of Respondents

The study examined gender to establish the highly involved persons in the banking sector. Majority of the respondents (54.9%) were males while females formed 45.1% of the respondents as shown in Table 4.1 below. This implies that males are more involved in running of the banking sector than their female counterparts. This can also be attributed to the fact that most men have white collars jobs in urban centres while many women are usually the home custodians.
Table 4. 1: Gender Representations of the Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>28</td>
<td>54.9</td>
</tr>
<tr>
<td>Female</td>
<td>23</td>
<td>45.1</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.3 Age of the Respondents

Most (58.8%) of the respondents were aged between 25 and 35 years, 25.5% of the respondents were in the ages 36 to 45 years, 11.8% of the respondents were in the ages 18 to 24 years while 3.9% of the respondents were aged between 46 to 55 years. This suggests that most of the workers in the bank were of the age brackets of 25 to 35 years while individuals over the age of 55 are not active as workers in the banking industry as shown in Table 4.2 below:

Table 4. 2: Age of the Respondents

<table>
<thead>
<tr>
<th>Age group</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24</td>
<td>6</td>
<td>11.8</td>
</tr>
<tr>
<td>25-35</td>
<td>30</td>
<td>58.8</td>
</tr>
<tr>
<td>36-45</td>
<td>13</td>
<td>25.5</td>
</tr>
<tr>
<td>46-55</td>
<td>2</td>
<td>3.9</td>
</tr>
<tr>
<td>Total</td>
<td>51</td>
<td>100.0</td>
</tr>
</tbody>
</table>

4.2.4 Education Level of the Respondents

Most of the respondents (43.1%) were degree holders, 33.3% of the respondents had attained a post graduate education level, and 21.6% had attained diplomas, while only 2% had a doctorate degree. This implies the majority of the bank personnel were knowledgeable in the operations of the banking sector and hence could give valid and dependable responses as shown in Figure 4.1:
4.2.5 Position of the Respondent in the Bank

Most (70.6%) of the respondents were at non-managerial level, 15.7 were at middle level management, 9.8% were at senior management levels, while 3.9% of the respondents were among the Board of Directors. This implies that the majority of employees in the Bank are at non-managerial level. This indicates a normal occurrence in businesses in which the pyramid narrows as one goes up the hierarchy of protocols. The information is as presented in Figure 4.2 below:

![Figure 4.2: Position of the Respondent in the Bank](image)
4.2.6 Experience in the Banking Industry

The findings indicate that majority (45.1%) of the respondents had between 0 to 5 years’ experience, 39.2% had between 6 to 10 years’ experience, and 9.8% had above 15 years’ experience while 5.9% had worked with the banking industry for between 11 and 15 years. This implies that most of the staff were new in the bank and young as well since the workers with the least experience were also the youngest. This does not, however, have a negative implication on the findings of this study since the respondents were knowledgeable in the banking sector and hence capable of giving credible responses. Their responses were also matched against those with more experiences giving no great discrepancies. This is as shown in Table 4.3 below:

Table 4.3: Years of Experience in the Industry

<table>
<thead>
<tr>
<th>Experience</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5</td>
<td>23</td>
<td>45.1</td>
</tr>
<tr>
<td>6-10</td>
<td>20</td>
<td>39.2</td>
</tr>
<tr>
<td>11-15</td>
<td>3</td>
<td>5.9</td>
</tr>
<tr>
<td>Above 15</td>
<td>5</td>
<td>9.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.3 Effects of Macro Environmental Factors on Performance of Barclays Bank

4.3.1 Impact of Political Factors on Performance

Results indicate that most (49%) of the respondents agreed with the statement that political factors affect the bank’s performance to a great extent, 11.8% strongly agreed, 27.5% thought that the impact was only moderate while 11.8% of the respondents disagreed with the statement that political factors affected Barclays Bank’s performance to a great extent. This could mean that the state of politics has an impact on performance. In the advent of political instability, the banks performance is significantly affected according to the majority of the respondents as shown in Figure 4.3.
Mean Scores of Political Factors Influencing Performance

Majority of the respondents largely agreed politically instigated factors affect performance. Only a few respondents disagreed with this statement disassociating politics with bank’s performance (mean of 2.51). A majority thought the legislature barring market access, civil and national conflicts and interest capping regulations significantly affected the performance of Barclays Bank. This is as shown in Table 4.4 below.

Table 4.4: Mean Scores of Political Factors Influencing Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which political factors affect performance</td>
<td>2.51</td>
<td>1.102</td>
</tr>
<tr>
<td>Legislature barring market access adversely affect performance</td>
<td>4.37</td>
<td>.662</td>
</tr>
<tr>
<td>Civil and national conflicts affect performance</td>
<td>4.61</td>
<td>.603</td>
</tr>
<tr>
<td>Interest capping regulations impede performance</td>
<td>4.29</td>
<td>.782</td>
</tr>
</tbody>
</table>
4.3.3 Impact of Economic Factors on Performance

The findings indicate that most of the respondents (52.9%) strongly agreed and 31.4% agreed with the statement that economic factors have a significant effect on the bank’s performance. However 15.7% of the respondents thought that economic factors only affect the bank’s performance to a moderate extent. This could mean that there is need focus on the economic factors that the bank faces to improve performance. No respondent disagreed with this statement. The data is as represented in Figure 4.4 below.

![Pie chart showing the extent to which economic factors affect performance](image)

**Figure 4.4: Extent to Which Economic Factors Affect Performance**

4.3.4 Mean Scores of Economic Factors Influencing Performance

Majority of the respondents strongly agreed economically stimulated factors affect performance significantly. However, a few respondents disagreed with this statement only associating the effects of economic factors with bank’s performance to a minimum extent (mean of 3.57 and standard deviation 1.1). A majority thought GDP size is plays an important role on performance, interest rate fluctuations & currency value, national taxation, unemployment rates, and inflation rates significantly affected the performance of Barclays Bank. These are areas that, therefore, need substantial focus during strategic planning. The information is as represented in Table 4.5 below
<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which economic factors affect performance</td>
<td>1.63</td>
<td>.747</td>
</tr>
<tr>
<td>GDP size is plays an important role on performance</td>
<td>4.51</td>
<td>.505</td>
</tr>
<tr>
<td>Interest rate fluctuations &amp; currency value strongly affect performance</td>
<td>4.37</td>
<td>.662</td>
</tr>
<tr>
<td>National taxation significantly affect performance</td>
<td>3.57</td>
<td>1.100</td>
</tr>
<tr>
<td>Unemployment rates affect performance</td>
<td>4.65</td>
<td>.688</td>
</tr>
<tr>
<td>Inflation rates negatively affect performance</td>
<td>4.25</td>
<td>.523</td>
</tr>
</tbody>
</table>

### 4.3.5 Impact of Technological Factors on Performance

About 59% of the respondents indicated that technology has a very great impact on performance while 33% and 8% thought that the impact was great and moderately great respectively. None of the respondents thought that technology has no impact. This could attributed to the rise in global technology where most transactions are becoming digital and technology being employed in many sectors. This is shown in Figure 4.5.
In as much as the majority of the respondents thought that technology is key in effective performance, most felt the Barclays Bank has not fully utilized technology to its maximum potential. There were variations in the response given to this question with respondents diving a wide range of opinions, hence the large standard deviations observed as shown in Table 4.6.

**Table 4. 6: Mean Scores of Technological Factors Influencing Performance**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which Technological factors affect performance</td>
<td>1.49</td>
<td>.644</td>
</tr>
<tr>
<td>Barclays Bank uses computer programs, new technology and latest innovations</td>
<td>4.22</td>
<td>1.101</td>
</tr>
<tr>
<td>Modern technological infrastructure affects performance</td>
<td>4.18</td>
<td>1.108</td>
</tr>
<tr>
<td>Performance is attributed to use of Mobile banking</td>
<td>4.20</td>
<td>1.059</td>
</tr>
<tr>
<td>Performance is attributed to agency banking</td>
<td>3.88</td>
<td>1.070</td>
</tr>
</tbody>
</table>
4.3.7 Impact of Legal Factors on Performance

From the study findings, most (58.8%) of the respondents strongly agreed with the statement that legal factors greatly affect the performance of Barclays Bank, 27.5% of the respondents agreed, while 13.7% thought that the impact was only moderate. This indicates that majority of the respondents were of the opinion that indeed the intervention by the legal related sectors on the bank operations influence the performance thereof as shown in Figure 4.6.

![Figure 4.6: Impact Legal Factors on Performance](image)

4.3.8 Mean Scores of Legal Factors Influencing Performance

Majority of the respondents strongly agreed legal factors affect performance significantly. However, there was diverse reactions when it came to the individual legal factors affecting performance. Although most of the respondents thought policies and legislature affect performance negatively, some thought that some policies can affect performance positively hence a large standard deviation. This implies that the effects of legal factors depend on the direction they take. Some legal factors are appealing to performance while some repel growth. This was also the case for import policies and some legal barriers such as barriers inhibiting bribery thought to be influencing performance. The case was, however, different
for technological norms & legal restrictions where a majority of the respondents thought these significantly affect performance as shown in Table 4.7.

**Table 4.7: Mean Scores of Legal Factors Influencing Performance**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which legal factors affect performance</td>
<td>1.55</td>
<td>.730</td>
</tr>
<tr>
<td>Policies and legislature affect performance negatively</td>
<td>3.75</td>
<td>1.197</td>
</tr>
<tr>
<td>Technological norms &amp; legal restrictions significantly affect performance</td>
<td>3.96</td>
<td>.871</td>
</tr>
<tr>
<td>Import policies reduce performance</td>
<td>4.12</td>
<td>1.070</td>
</tr>
<tr>
<td>Some legal barriers increase performance</td>
<td>3.86</td>
<td>1.312</td>
</tr>
</tbody>
</table>

**4.3.9 Impact Social Factors on Performance**

The study findings indicated that most (35.3%) of the respondents strongly agreed, 33.3% agreed, while 31.4% expressed a neutral stand to the statement that social factors significantly affected performance. This means that social factors have volatile expressions among respondents. This could be as a result of the fact that social factors can be easily manipulated to change their course of occurrence. This is as shown in Figure 4.7 below.

**Figure 4.7: Impact Social Factors on Performance**
4.3.10 Mean Scores of Social Factors Influencing Performance

The respondents strongly agreed with the fact that socially initiated factors affect performance significantly. However, a few respondents disagreed with the view that increased population increases performance (mean of 3.51). A few of the respondents also disagreed with the opinion that Kenyans have low motivations towards banking (mean 2.94) as represented in Table 4.8 below:

**Table 4. 8: Mean Scores of Social Factors Influencing Performance**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which social factors affect performance</td>
<td>1.96</td>
<td>.824</td>
</tr>
<tr>
<td>Increased population increases performance</td>
<td>3.51</td>
<td>1.405</td>
</tr>
<tr>
<td>Cultural values decrease performance</td>
<td>2.29</td>
<td>.807</td>
</tr>
<tr>
<td>Poverty declines performance</td>
<td>4.04</td>
<td>.916</td>
</tr>
<tr>
<td>Attitude affects performance</td>
<td>3.59</td>
<td>.753</td>
</tr>
<tr>
<td>Wrong perception declines performance</td>
<td>3.82</td>
<td>.888</td>
</tr>
<tr>
<td>Poor performance is due to low education levels</td>
<td>2.14</td>
<td>.825</td>
</tr>
<tr>
<td>Low motivation towards banking leads to poor performance</td>
<td>2.94</td>
<td>1.028</td>
</tr>
</tbody>
</table>

4.4 Effect of Micro Environmental Factors on Performance of Barclays Bank

4.4.1 Impact of Competitors on Performance

Results indicate that most (82.7%) of the respondents strongly agreed with the statement that competitors strongly affect the bank’s performance to a great extent. None of the respondents disagreed with the statement. This could be attributed to the fact that Barclays Bank’s performance started declining with the advent of new entrants in the market who introduced diverse and alternative banking products that may have attracted some of the initially dedicated Barclays Bank’s Customers. Even the 17.6% who did not express a strong sentiment towards this view still agreed to a great extent that keeping abreast with
competitors is the way to achieving and retaining great performance levels. This is shown in Figure 4.8.

![Extent to which competitors affect performance](image)

**Figure 4. 8: Extent to Which Competitors Affect Performance**

### 4.4.2 Mean Scores of Competitor Related Factors Influencing Performance

Most of the respondents agreed strongly with the statement that competitors significantly affect the performance of Barclays Bank. Majority thought that increased competition leads to a decline in performance and this could mostly be attributed to substitutes presented by the competitors. However, there was variation in the opinion that financial institutions need to be decreased for Barclays Bank to thrive and the fact that diversified products by new entrants decline performance. A few respondents did not also agree with the view that undifferentiated products lead to the loss of customers to competitors as shown in Table 4.9.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which competitors affect performance</td>
<td>1.18</td>
<td>.385</td>
</tr>
<tr>
<td>Increased competition declines performance</td>
<td>4.31</td>
<td>.547</td>
</tr>
<tr>
<td>Financial institutions need to be decreased for high performance</td>
<td>2.76</td>
<td>1.069</td>
</tr>
</tbody>
</table>
4.4.3 Impact of Customers on Performance

The findings indicate that most of the respondents (60.8%) strongly agreed and 35.3% agreed with the statement that customers have a significant effect on the bank’s performance. Only 3.9% of the respondents thought that customers only have a moderate influence. This implies that meeting customer needs would result in accrual of more customers and hence high performance. No respondent disagreed with this statement. This is represented in Figure 4.9 below.

![Figure 4.9: Extent to Which Customers Affect Performance](image)

4.4.4 Mean Scores of Customer Related Factors Influencing Performance

Most of the respondents were of the opinion that customers strongly affect performance. A majority indicated that retail banking and approaching customers significantly increases performance. A few did not totally agree with the fact that the net worth of individual customers affects performance as shown in Table 4.10.
Table 4. 10: Mean Scores of Customer Related Factors Influencing Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which customers affect performance</td>
<td>1.43</td>
<td>.575</td>
</tr>
<tr>
<td>Net worth of individual customers determines level performance</td>
<td>3.73</td>
<td>1.343</td>
</tr>
<tr>
<td>Retail banking increases performance level</td>
<td>4.39</td>
<td>.493</td>
</tr>
<tr>
<td>Approaching potential customers increases performance</td>
<td>4.39</td>
<td>.493</td>
</tr>
</tbody>
</table>

4.4.5 Impact of Market Intermediaries on Performance

A majority of the respondents indicated that marketing intermediaries affect performance to a significant level. This implies that Barclays Bank needs venture into agency banking to test if this can significantly increase her customer base. Marketing intermediaries bring the bank’s products closer to the intended customers. The information is as presented in Figure 4.10.

![Figure 4. 10: Impact of Market Intermediaries on Performance](image-url)
4.4.6 Mean Scores of Marketing Intermediaries Related Factors Influencing Performance

Although a few respondents (mean 3.65) do not agree with the statement that customers prefer agency banking to going to bank halls, most are of the opinion that utilizing banking agents broadens the customer base. This could thus be considered in strategic management since it could sell the bank to potential customers. This is shown in Table 4.11.

**Table 4.11: Mean Scores of Marketing Intermediaries Related Factors**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which marketing intermediaries affect performance</td>
<td>1.80</td>
<td>.664</td>
</tr>
<tr>
<td>Barclays Bank has performing Banking Agents</td>
<td>2.47</td>
<td>1.433</td>
</tr>
<tr>
<td>Maximally utilizing banking agents broadens the customer base</td>
<td>4.12</td>
<td>.909</td>
</tr>
<tr>
<td>Customers prefer agent banking</td>
<td>3.65</td>
<td>1.383</td>
</tr>
</tbody>
</table>

4.4.7 Impact of the Financiers on Performance

Views concerning the impact of financiers on performance of Barclays Bank were largely variant. A majority (39.2%) thought that financiers only affect performance to a moderate extent. This implies that the bank needs to focus on selling her products and diversification of offered products to increase her customer base. Financiers should be viewed from the customers’ point since increasing customers will increase the account balance hence enabling financing of the bank’s investment for maximum performance. A few respondents (37.3%—strongly agree and 23.5% agree) still think that financiers are very important. The two combined indicate that financiers are still significant in the performance achievement at 60.8% as shown below in Figure 4.11.
4.4.8 Mean Scores of Financiers’ Related Factors Influencing Performance

The number of respondents who think financiers are significant in performance improvement and maintenance makes the majority. The view however varies largely among the respondents when focusing on the individual financiers’ related factors. A few respondents thought that financiers are not willing to risk money to ensure high performance (mean 3.43). As regarding performance solely relying on financiers or being attributed to stakeholders, a few respondents had a contrary opinion. This implies that performance needs to be reliant on a diversified number of factors for it to be sustained. The information is as shown in Table 4.12

Table 4. 12: Mean Scores of Financiers’ Related Factors Influencing Performance

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which financiers affect performance</td>
<td>2.02</td>
<td>.883</td>
</tr>
<tr>
<td>Financiers are willing to risk money to ensure high performance</td>
<td>3.43</td>
<td>1.330</td>
</tr>
<tr>
<td>Performance does not solely rely on financiers</td>
<td>2.67</td>
<td>1.160</td>
</tr>
<tr>
<td>Performance is attributed to stakeholders</td>
<td>3.73</td>
<td>1.201</td>
</tr>
</tbody>
</table>
4.4.9 Impact of the Public on Performance

The study findings indicated that most (49%) of the respondents strongly agreed, 43.1% agreed, while 7.8% thought that the public only affects performance to a moderate percent as shown in Figure 4.12. This means that the public needs to be put in focus when formulating the bank’s strategic management targets. This is because the public make the population that make the potential customers to Barclays Bank.

![Figure 4.12: Impact of the Public on Performance](image)

4.4.10 Mean Scores of Public Related Factors Influencing Performance

Majority of the respondents indicated that investing in public awareness of the banks intended customers and the range of products being offered would increase the bank’s performance. This is because a majority of the public considers Barclays Bank a rich man’s bank. Public awareness will help change this performance and increase her customer base since most of the Kenyan market is made of Small and Medium Enterprises (SMEs).

**Table 4.13: Mean Scores of Public Related Factors Influencing Performance**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent to which the public affect performance</td>
<td>1.59</td>
<td>.638</td>
</tr>
<tr>
<td>The public considers Barclays a rich man's bank</td>
<td>4.24</td>
<td>.586</td>
</tr>
</tbody>
</table>
Investing in public awareness and marketing will increase performance

| Investing in public awareness and marketing will increase performance | 4.31 | .469 |

4.4.11 Impact of Labor on Performance

A majority of the respondents (54.9%) indicated that labor related issues significantly affect performance. This implies that a satisfied and motivated labor performs her duties optimally leading to eventual high performance of the bank. Focusing on the labor will thus increase performance. This is shown in Figure 4.13.

![Figure 4.13: Impact of Labor on Performance](image)

4.4.12 Mean Scores of Labor Related Factors Influencing Performance

Most respondents thought that a motivated labor force increases performance. This means that motivating laborers leads to offering of quality services at an effective rate hence resulting into satisfied customers. The labor force also goes to an extra mile in selling the bank’s products leading to eventual high performance. Opinions varied regarding switching to e-banking and doing away with manual labor. A few respondents thought that increasing the labor force would not significantly affect performance. Motivating the labor force was thus the highly favored strategy as shown in Table 4.14.
4.5 Effects of Environmental Factors on the Performance of Barclays Bank

4.5.1 Micro Environmental Factors Affect Barclays Bank’s Performance More Than Macro Environmental Factors

The study findings indicate that a majority (47.1%) of the respondents neither agreed nor disagreed while 9.8% strongly disagreed with the opinion that micro environmental issues affected performance more than the macro environmental factors. A few (43.1%) thought that the micro environment factors affect performance to a significant level compared to macro environmental factors. This implies that focus need to be placed on both macro and micro environmental factors. The information is as shown in Table 4.15 below.

<table>
<thead>
<tr>
<th>Opinion</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disagree</td>
<td>5</td>
<td>9.8</td>
</tr>
<tr>
<td>Neutral</td>
<td>24</td>
<td>47.1</td>
</tr>
<tr>
<td>Agree</td>
<td>22</td>
<td>43.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

4.5.2 Effects of Combined Micro and Macro Environmental Factors on Barclays Bank’s Performance

As projected by the findings of the study, 72.5% of the respondents thought that combined macro and micro environmental factors have significant effects on performance. About 22% of the remaining respondents also thought that the two environments affect performance to a
significant level. Only 5.9% had a neutral opinion with no respondent totally disagreeing with the view as shown in Figure 4.14. As suggest above, this implies focus should be place on both macro and micro environmental factors affecting the bank for optimal performance.

Figure 4. 14: Combined Micro and Macro Environmental Factors

4.5.3 Inclusion of Environmental Factors in the Bank’s Strategic Performance Planning

A majority of the respondents (54.9%) strongly agree with the fact that environmental factors need to be included in the Bank’s strategic management. About 35% of the remaining also agree with this while 9.8% remained neutral on this opinion as shown on Figure 4.15. None of the respondents disagreed with the opinion. This means that both macro and micro environments affecting the Bank need to be considered for performance to increase to competitive levels
4.5.4 Correlation Analysis

The study findings show that the relationship between macro environmental factors and micro environmental factors is strongly significant. Pearson Correlation indicated a significant value of less than 0.01 (2-tailed) indicating a strong relationship between how micro environmental and macro environmental factors affect performance of Barclays Bank. The relationship is synergistic such that both the macro and micro environmental forces affect performance in the same direction.

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Average of macro environmental factors</th>
<th>Average of micro environmental factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average of macro environmental factors</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>51</td>
</tr>
<tr>
<td>Average of micro environmental factors</td>
<td>Pearson Correlation</td>
<td>.853**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>51</td>
</tr>
</tbody>
</table>
### Correlations

<table>
<thead>
<tr>
<th></th>
<th>Average of macro environmental factors</th>
<th>Average of micro environmental factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average of macro</td>
<td>Pearson Correlation 1</td>
<td>.853**</td>
</tr>
<tr>
<td>environmental factors</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N 51</td>
<td>51</td>
</tr>
<tr>
<td>Average of micro</td>
<td>Pearson Correlation .853**</td>
<td>1</td>
</tr>
<tr>
<td>environmental factors</td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N 51</td>
<td>51</td>
</tr>
</tbody>
</table>

Correlation is significant at the 0.01 level (2-tailed).

### 4.5.5 Regression Analysis

A majority of the respondents indicated that performance is strongly affected by environmental factors. When the environmental factors were regressed against performance, the significant value was below 0.05. Significance values below 0.05 indicate a strong relationship among the variables under research. The total number of respondents was 51 and most agreed with this statement and therefore the low standard deviation (0.98) presented. This is as represented in the histogram below.
4.6 Chapter Summary

This chapter presented the results, analysis and discussions as were derived from the sample population’s responses to the questionnaires. It highlighted the general demographic information of the respondents including their age groups, gender, education levels, years of experience and position at the bank. Further, the chapter four took an in depth look at the responses to each of the research questions, analyzing the frequency of response to each question and the average for each factor under discussion. The researcher measured the standard deviations across the data and gave an in depth explanation of the environmental factors and how they affect performance as indicated by the study population. Finally, the researcher regressed performance against the environmental factors under review to come up with the inferences that are presented in the chapter. The proceeding chapter will present the summary, discussions, conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings, conclusion, recommendations and suggestions for further research.

5.2 Summary

The main purpose of this study was to investigate the effects of environmental factors on performance; a case study of Barclays Bank. The research questions under review were: 1) which macro environmental factors affect the performance of Barclays Bank? 2) which micro environmental factors affect the performance of Barclays Bank? And 3) what are the effects of environmental factors and Barclays Banks’ performance? The study used a descriptive research design to conduct the research in which respondents were divided according different strata as presented by the departments in Barclays Bank. The study therefore employed non-probability sampling using the stratified sampling technique to form the sampling frame. The respondents in the strata were randomly selected to avoid bias. Questionnaires were the data collection tools used in the study. The data was then analyzed using Microsoft Excel and SPSS software and discussed, presenting descriptive analysis, correlations and regressions. The results were presented in tables and figures including graphs, pie charts and a histogram. Based on the study’s objectives, the findings were summarized.

The findings indicated that majority (54.9%) of the respondents were male with most (58.8%) of the respondents being aged between 25 and 35 years. Most of the (43.1%) respondents were degree holders with a majority (70.6%) of the respondents being of non-managerial levels in the bank. The findings indicate that majority (45.1%) of the respondents had between 0 to 5 years’ experience in the banking industry.

A majority of the respondents (74.5%) strongly agreed that macro environmental factors affect performance. None of the respondents disagreed with this statement. Similarly, most of
the respondents (80.4%) strongly indicated that micro environmental factors affect the performance of Barclays Bank. 72.5 of the respondents thought that a combination of the micro and macro environmental factors strongly affects performance. None of the respondents indicated that there was no relationship between environmental factors and performance. Correlation and regression analyses were done on the obtained data indicating that environmental factors significantly affected performance. The significant value was below 0.05. Below this significance level, the inference is that there is a strong relationship between variables under study; environmental factors and performance.

5.3: Discussion

5.3.1 Effects of Macro Environmental Factors on Performance of Barclays Bank

Results indicate that most (49%) of the respondents agreed with the statement that political factors significantly affect performance of Barclays Bank, with a majority (52.9%) of the respondents agreeing that the state of economic factors highly influence the direction of the Bank’s performance. Political factors mainly include civil and national conflicts that may destabilize a peaceful economy, interest capping regulations, and international laws that bar market access. The size of GDP, interest rate fluctuations and currency values are examples of economic factors that affect the Bank’s performance. Others include national taxation, unemployment rates and inflation rates. About 58.8% of the respondents thought that technological factors highly affect performance. This value coincided with that of legal factors against performance. Technological factors included computer programs and innovations emerging in the current market, mobile banking and competition from other technologies such as Mpesa that offer similar but quicker and easy to access services.

Legal factors, on the other hand, included policies and legislature that regulate entrance of foreign businesses into the local market, technical norms and different legal restrictions, restrictive import policies such as high tariffs and such legal barriers that inhibit such acts as bribery. The measurement of social factors against performance had the highest level of distributed answers with 35.3% of the respondents attributing performance to socially related factors such as size of population, cultural and religious values, poverty levels, attitude,
perception, and education levels. All the macro environment factors had a significant influence on the level of performance experienced by the bank.

The results of the study agree with Barkauskas (2014) who asserted that economic factors have one of the biggest effects on the development of any given organization. This is also in agreement with the assertion that the development and performance of organizations strongly depend on the growth of revenue (Botezat, 2003). As noted by Ramanauskien (2010), a rise in wages enable people to spend more money. This study is also in congruence with the research conducted by Tang et al. (2006) on modeling financial product purchases, who concluded that economic factors play a vital role along with individual precise characteristics in determining the overall performance of a business enterprise.

Currently, most firms and especially banking institutions are employing digital means to ensure their services are readily available upon demand. This is as explained by Dess et al. (2008), that technological developments result in new services and products and improve on the process through which products are designed/ made and delivered to intended users. A majority of the respondents (58.8%) agreed with this fact hence showing congruence with previous studies. It is therefore important to invest in new technology in order to increase performance and stay abreast competition.

Since the study revealed that some socio-cultural factors has some degree of influence on performance, the creation of target market strategies is, therefore, widely viewed as integral to formulating an business strategy that is effective (Doyle, 2006). Consumer purchases are strongly influenced by cultural, social, personal and psychological characteristics; generally marketers can’t control these factors but instead take them into account (Armstrong and Kotter, 2000). They should be therefore an integral part of strategic management in order to increase performance. Legal and bureaucratic restrictions are one of the main obstacles to the development of revenue collection business. Usually legal documents promote the revenue collection activity and therefore its performance but there are cases when due to specific conditions, the activity may be legally restricted (Barkauskas, 2015). The study indicated that legal forces had the least variance, hence, agreeing with the fact some legal barriers can be an obstacle to growth while some can increase the performance of Barclays Bank. Technical
norms, different legal restrictions and building regulations bring out different variants of products on the national market.

The results of the study also agree with Barkauskas (2015), who established that ideal conditions for the development of revenue collection institutions are political stability, security, well-defined and functioning legal system, public goods provided by the state – infrastructure, environment, information. Barclays Bank therefore needs to plan on her survival in different political environments. As part of her cooperate social responsibility, the bank may choose to be involved in peaceful campaigns in a bid to create and operate within a healthy political environment.

Cadogan et.al (2002) explains that the macro environment of a company has significant influence on her performance. According to Isik, Arditi, Dilmen and Birgonul (2010), managing the negative and positive effects of exogenous factors has the power to reform corporate-wide characteristics. This calls for Barclays Bank to put emphasis on studying ways in which to survive and optimally perform in the macro environment in which she operates. Including macro environmental factors in her strategic planning may result into positive performance.

5.3.2 Effects of Micro Environmental Factors on the Performance of Barclays Bank

The findings indicate that majority (82.4%) of the respondents perceived the competition as the major micro environmental factor influencing performance. Competition mainly arises from institutions offering similar or competitive services that provide consumers with a diversity of options from which to select their preferred service provider. The banking industry has experienced the advent of new entrants most of whom have undifferentiated or substitute products that they are willing to offer at bargaining rates hence attracting a large customer base. This offers stiff competition to Barclays Bank, a situation that the respondents thought has resulted to declining performance.

Majority (60.8%) of the respondents strongly agreed with the statement that customer satisfaction impacted significantly on the performance of Barclays bank. Retail banking was thought to be effective in marketing the bank’s products among potential customers. This is
an area that Barclays Bank has not invested in and the research findings indicated that majority of the respondents thought that the bank needs to shift attention to the retail banking. Finding potential customers and taking products closer to them will increase customer loyalty and hence the customer base of the bank.

The study findings indicate that most (52.9%) of the respondents perceived marketing intermediaries as influencers of performance to a great extent. However, this was not given the top priority among respondents. Respondents felt the need to include and maximally utilize banking agents to broaden the bank’s customer base. A few respondents thought that customers prefer banking with agents than taking long hours on banking halls. The study findings also indicate that majority (39.2%) of the respondents thought of financiers being able to influence performance only to a moderate magnitude. The respondents thought that only a few financiers were willing to take risks to ensure that the bank thrives. Most thought that the bank can perform optimally with only customer deposits and without external financiers. The respondents had a neutral opinion as regards the influence of stakeholders on performance. About 49% of the respondents perceived the public as a significant influencer of the bank’s performance. Most considered Barclays Bank as a bank for the rich and hence preferred other financial institutions. The respondents indicated that engaging in public awareness of the bank’s products and market would change this perception.

The study findings indicated that 54.9% of the respondents agreed with the statement that labor impacted on the bank’s performance to a very great extent. Contrary to the opinion that Barclays Bank should increase her labor, the respondents rather thought that motivating the existing labor force would lead to a significant rise in performance. A motivated labor force would serve customers well to their satisfaction and go an extra mile to marketing the bank among potential customers. The respondents indicated that the bank should engage manual laborers and e-banking services to the same degree for optimal performance. The study also indicated the impact of micro environmental factors on performance was also significant.

The research findings agree with Kale and Arditi (2003) who suggested that a business’s environment hosts competitive forces and a firm’s strategic performance is strongly correlated with its ability to handle the effects of competition. A majority of the respondents (82.4%) asserted the importance of putting competitors on check in order to increase
performance. Knowing the strategies used by competitors to thrive will give Barclays Bank a competitive advantage ensuring her high performance and consequently her survival in the economy. The study also agreed with Singh and Ranchhod (2004) who stated that customer orientation has a positive impact on the performance of an organization. Studying consumer behavior may, therefore, determine whether Barclays Bank will remain a favorable banking choice for consumers or otherwise. This therefore shows the need to focus on consumers to increase performance.

A motivated labor force also results in high performance by the Bank. This agrees with an assertion by Joshi et al., 2007 who quoted that a highly motivated human resource performs optimally and can achieve higher results that what is expected of it. Treating her employees well result in less time being spent on fighting labor unions and instead in the achievement of the Banks goals, hence, resulting in high performance. As indicated by the results of the study, it is also very important to deliberate the public views to keep afloat as a company (Cherunilam, 2007). As forwarded by Joshi et al. (2007), another important micro environmental factor is the financiers of a business.

The findings of the study indicated that about 39% of the respondents agreed that financiers are very important in Barclays Bank’s performance. This factor however had varying responses since some of the respondents thought that increasing her customer base would provide a strong financial base for the bank. However, financiers still remain an asset to the bank as portrayed by the majority. Besides the financing capabilities, their attitudes, strategies and policies (Including attitude towards risk), ability to provide non-financial support etc. are very important. Barclays Bank also has to develop strong relationship with all her marketing intermediaries for the successful operation of its business (Chidambaram et al., 2005). Intermediaries provide services and information closer to the consumers hence widening her customer base. This results in increased performance.

It is, therefore, very important that micro environment factors be included in the banks strategic management since these factors are more closely linked with the business. Paying a closer look to micro environmental factors will ensure that competitors, customers, marketing intermediaries, labor force and the public are all within the bank’s competitive advantage. This will ensure a constant and continued rise in performance.
5.3.3 Effects of Environmental Factors on Performance of Barclays Bank

The study findings indicate that most (72.5%) of the respondents agreed with the statement that combined micro and macro environmental factors significantly affect the Bank’s performance. This was confirmed by the correlation and regression analyses which indicated a significance value below 0.05 (1-tailed). This level indicated a strong relationship between environmental factors and the performance of Barclays Bank. None between the two variables was given much weight more than the other as the respondents and the analysis results indicated that both macro and micro environmental factors had a significant influence on the performance of Barclays Bank. The findings also indicate that 54.9% of the respondents agreed with the suggestion that Environmental factors should be included in the Bank’s strategic planning to achieve optimal performance results.

The findings of this study show a synergistic relationship between both the macro and micro environmental factors towards the performance of Barclays Bank. This agrees with a study done by Lichtenthaler (2009). In his study, directional selection in a single macro-environment was synergistic with respect to the micro-environmental differences, and increased environmental sensitivity and consequently to increase environmental variance. Both the micro and macro environmental factors affected firm performance in the same direction; whether negative or positive. This study also indicated the same results.

As indicated by the study, environmental factors that may influence business performance are many and varied; some are internal to the business while others are external to the business (Salihu, 2015). Today it becomes extremely essential for Commercial banks to examine their performance because their survival in the dynamic economic environment will be dependent upon their good performance (Okoth et al., 2013). The study agrees with Obasan (2015) who stated that it is important for a business to keep a pace with the various changes in the environment in order to survive in the long run. A firm must, therefore, develop a plan that will help it to cope with the various environmental forces (Oluremi et al., 2011).
The nature of business environments are said to be classified as dynamic, stable and unstable which often help a firm in the selection of appropriate strategies that enhance achievement of maximum performance (Ibidun et al., 2013). Adeoye (2012) opined that in order for business to cope with the dynamic and rapidly changing business environment, there is a need to develop and implement appropriate strategies that would safeguard their operations and yield the desired results. The study therefore agrees with previous studies done on inclusion of environmental factors on a firm’s strategic management in order to yield optimal results.

As asserted by Cheng-Hua et al., 2011, environment factors affect the relationship between strategic planning and performance. Any organization ignoring or being unresponsive to environmental factors is creating trouble or inviting trouble. Barclays Bank should, therefore, put considerable effort into ensuring that her operational environment is well studied in order to employ strategies that will ensure high performance. Environmental uncertainty arises from organizational inability to make environmental forecasts (Aziz et al., 2010) and, therefore, showing the need for the Bank to employ highly qualified and competent individuals to carry out market environmental research on a regular basis.

5.4 Conclusions

5.4.1 Effects of Macro Environmental Factors on Performance of Barclays Bank

The first objective of this study was to evaluate how macro environmental factors affect the performance of Barclays Bank. From the finding it can be concluded the macro environmental factors significantly affect the performance of the Bank. Issues under focus on this included political factors, economic factors, technological factors, legal factors, and social factors. All these factors affected performance to varying degrees but aggregately caused a significant effect on performance.

5.4.2 Effects of Micro Environmental Factors on the Performance of Barclays Bank

The second objective was to determine how micro environmental factors affect Barclays Bank’s performance. Areas under investigation were competitors, customers, marketing
intermediaries, financiers, the public, and labor. The research findings revealed that all the aforementioned factors affected performance to different degrees but ultimately caused a combined effect. The aggregate effect was significant. The micro environmental factors therefore affect the bank’s performance top a significant degree.

5.4.3 Effects of Environmental Factors on Performance of Barclays Bank

The third objective of the study was to identify how environmental factors affect performance. This objective focused on a combination of both micro and macro environmental factors. Both macro and micro environmental factors were revealed to affect performance from both separate and aggregate levels. The effect was established to be significant.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Effects of Macro Environmental Factors on Performance of Barclays Bank

Policy makers should conduct seminars regarding the effects of environmental factors on performance so as to come up with sound and realistic policies and formulate laws geared towards performance appraisal and improvement. The bank should come up with creative and innovative products and marketing strategies that will help cut across different cultures, religions and social levels in Kenya. For instance, introduction of Muslim Banking that offers profits on savings instead of interests since the Muslims do not believe in charging interest but in making profit. Barclays Bank need to invest in and fully utilize modern technological infrastructure to achieve optimal performance and stay abreast her competitors’ techniques. In the event of a change in the macro environmental factors, the bank needs to quickly find a way to survive and be resilient enough to recover from any setbacks

5.5.1.2 Effects of Micro Environmental Factors on the Performance of Barclays Bank

The bank should study the methods employed by her competitors and borrow techniques that could improve her performance. There is need for public awareness so as to change the perspective of the public that has marked Barclays Bank as the bank for the rich. The bank
should diversify her products and increase the range so as to retain her customers. There services should also be rated as affordable by customers to win customer loyalty. There is also the need to invest in marketing intermediaries to reach more people and make services easily available to her customers. Finding ways to motivate her labor will ensure improved and high quality customer service and hence high performance.

5.5.1.3 Effects of Environmental Factors on Performance of Barclays Bank

Both macro and micro environmental factors should be included in strategic planning so as to achieve high performance in Barclays Bank. Such studies should be done on a regular basis for performance monitoring and development of key performance indicators. Opinions from workers should be sought after during strategic planning since they are the people who majorly interact with these environmental factors.

5.5.2 Recommendations for Further Study

There is need to conduct such studies on the bank with customers, financiers, the public and other stakeholders as the key respondents in order to establish their view and come up with inferences from their point of view which will be integrated in this study.

It is also recommended that similar studies be done on other banks in Kenya and the results obtained be compared to those of this study so as to determine if their performance is influenced in the same way with the same set of environmental factors as it does Barclays bank.
REFERENCES


Croteau, A. M., Solomon, S., Raymond, L. & Bergeron, F. (2001). Organizational and


European Journal of Information Systems, 10 (4), 3-16.


March 2017

Dear Respondent,

**RE: REQUEST FOR RESEARCH DATA**

I am a student at United States International University-Africa, currently pursuing a Master’s degree in Business Administration (M.B.A) In order to complete my coursework and attain certification, I am expected to conduct and submit a research report on “**THE EFFECT OF ENVIRONMENTAL FACTORS AFFECTING PERFORMANCE: A CASE OF BARCLAYS BANK**

To facilitate this, your organization has been selected to generate data required for this study. The information provided in this study will be used purely for academic purpose and your name will not be mentioned in the report. Findings of the study shall upon request be availed to you.

Your assistance and cooperation will be highly appreciated.

Sincerely,

**Joyce Maina**

**MBA Student – Researcher**

**United States International University-Africa**
APPENDIX II: QUESTIONNAIRE

Data collected in this survey is intended for academic purposes only and will be used in partial fulfillment of an MBA research project to examine effects of environmental factors on performance - a case study of Barclays Bank. All information gathered will be handled with the strictness and confidentiality. There are 4 sections.

SECTION I: GENERAL INFORMATION

Please tick the most appropriate

1. Gender:

   Male [ ]

   Female [ ]

2. Age

   18-24 [ ]

   25-35 [ ]

   36-45 [ ]

   46-55 [ ]

   Above 55 [ ]

3. Highest level of Education (tick one)

   - Doctorate Degree [ ]
   - Master’s Degree [ ]
   - Bachelor’s Degree [ ]
   - Diploma [ ]

Others (Please specify) _____________________________________________________________
4. Please indicate your position at the bank

1. Board of Directors [ ]
2. Senior Management [ ]
3. Middle level Management [ ]
4. Non Managerial Level [ ]

5. Years of experience in the industry?

- 0-5 year [ ]
- 6-10 years [ ]
- 11–15 years [ ]
- Above 15 years [ ]

SECTION II: EFFECTS OF MACRO ENVIRONMENTAL FACTORS ON PERFORMANCE OF BARCLAYS BANK

Part A: Political Factors

1. As per your opinion, to what extent do political factors impact the performance of Barclays Bank?

   Very great extent [ ]

   Great extent [ ]

   Moderate extent [ ]

   Little extent [ ]

   No extent [ ]

2. Kindly indicate your level of agreement with the following statements that relate to the effect of Political Factors on the performance of Barclays Bank.
<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislature barring market access adversely affects Barclays Bank’s performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barclays Bank performance is affected by civil and national conflicts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulations calling for interest capping have impeded the performance of Barclays Bank.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Part B: Economic Factors**

3. As per your opinion, to what extent do Economic Factors impact the performance of Barclays Bank?

   Very great extent [ ]
   Great extent [ ]
   Moderate extent [ ]
   Little extent [ ]
   No extent [ ]

4. Kindly indicate your level of agreement with the following statements that relate to the effect of Economic Factors on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>
The size of the GDP plays an important role in the performance of Barclays Bank

Interest rate fluctuations, and currency value are forces that have strong effects on Barclays Bank’s performance

National taxation has a significant effect on the performance of Barclays Bank

Unemployment rates play an important role in the performance of Barclays Bank

Inflation rates have negatively affected the performance of Barclays Bank

<table>
<thead>
<tr>
<th>disagree</th>
<th></th>
<th>agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>The size of the GDP plays an important role in the performance of Barclays Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest rate fluctuations, and currency value are forces that have strong effects on Barclays Bank’s performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National taxation has a significant effect on the performance of Barclays Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unemployment rates play an important role in the performance of Barclays Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inflation rates have negatively affected the performance of Barclays Bank</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Part C: Technological Factors**

5. In your opinion, to what extent do Technological Factors impact the performance of Barclays Bank?

   - Very great extent [ ]
   - Great extent [ ]
   - Moderate extent [ ]
   - Little extent [ ]
   - No extent [ ]
6. Kindly indicate your level of agreement with the following statements that relate to the effect of Technological Factors on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer programs, technological trends and innovations are examples of technological forces used by Barclays Bank</td>
<td></td>
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</tr>
<tr>
<td>Modern technological infrastructure has a significant effect on Barclays Bank’s performance</td>
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<tr>
<td>Barclays Bank has embraced mobile banking hence leading significant effects on her performance</td>
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<tr>
<td>Barclays Bank employs agency banking and this has significant effects on her performance</td>
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<tr>
<td>Mpesa services have contributed to decline in Barclays Bank’s performance due to a shift in focus</td>
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</tr>
</tbody>
</table>
Part D: Legal Factors

7. In your opinion, to what extent do Legal Factors impact performance of Barclays Bank?

- Very great extent [ ]
- Great extent [ ]
- Moderate extent [ ]
- Little extent [ ]
- No extent [ ]

8. Kindly indicate your level of agreement with the following statements that relate to the effect of Legal Factors on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal forces are policies and legislative regulations which are barriers for foreign business to enter the local market</td>
<td></td>
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</tr>
<tr>
<td>Technical norms and different legal restrictions have significantly affected the performance of Barclays Bank</td>
<td></td>
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</tr>
<tr>
<td>Restrictive import policies such as high tariffs reduce the performance of Barclays Bank</td>
<td></td>
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<tr>
<td>Legal barriers inhibiting bribes increase the performance of Barclays Bank</td>
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</tbody>
</table>
**Part E: Social Factors**

9. In your opinion, to what extent do Social Factors impact performance of Barclays Bank?

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>[ ]</td>
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<tr>
<td>Great extent</td>
<td>[ ]</td>
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<tr>
<td>Moderate extent</td>
<td>[ ]</td>
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<tr>
<td>Little extent</td>
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</tr>
<tr>
<td>No extent</td>
<td>[ ]</td>
<td></td>
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</tr>
</tbody>
</table>

10. Kindly indicate your level of agreement with the following statements that relate to the effects of Social Factors on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased population positively affects the performance of Barclays Bank</td>
<td></td>
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<tr>
<td>Many cultural values in Kenya result in Barclays Bank’s poor performance</td>
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</tr>
<tr>
<td>Poverty is the reason for the sluggish growth in Barclays Bank’s performance</td>
<td></td>
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</tr>
<tr>
<td>Many people in Kenya have a poor attitude towards banking with Barclays bank hence affecting her performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Many Kenyans perceive banking as an</td>
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</tbody>
</table>
activity of the rich  

The low level of education among Kenyans is the reason as to why Barclays Bank is experiencing poor performance.

Kenyans are not motivated towards banking hence affecting Barclays Bank intended high performance

SECTION III: EFFECTS OF MICRO ENVIRONMENTAL FACTORS ON PERFORMANCE OF BARCLAYS BANK

Part A: Competitors

11. In your opinion, to what extent does competition from other similar banking and credit institutions affect performance of Barclays Bank?

   Very great extent [ ]
   Great extent [ ]
   Moderate extent [ ]
   Little extent [ ]
   No extent [ ]

12. Kindly indicate your level of agreement with the following statements that relate to the effects of competitors on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>
Increased competition negatively affects the performance of Barclays Bank

The number of financial institutions in Kenya should be decreased for Barclays Bank to thrive

New entrants in the banking sector are the reason for the sluggish growth in Barclays Bank’s performance due to their diversified products

The threat of substitutes provided by competitors has highly affected the performance of Barclays Bank negatively

Undifferentiated products have caused a loss of customers to competitors hence leading to a decline in the performance of Barclays Bank

**Part B: Customers**

13. In your opinion, to what extent does customer satisfaction impact the performance of Barclays Bank?

   - Very great extent [ ]
   - Great extent [ ]
   - Moderate extent [ ]
14. Kindly indicate your level of agreement with the following statements that relate to the effects of customers on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>A few customers with high account balances positively affects the performance of Barclays Bank while many customers with low account balances affect the performance negatively</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Retail banking is thriving in Barclays Bank</td>
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<tr>
<td>It is absolutely important for Barclays Bank to employ more retail sales representatives to reach out to customers at their locations than to wait for them to come to the banking hall.</td>
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</tr>
</tbody>
</table>

Part C: Marketing Intermediaries

15. In your opinion, to what extent do banking agents impact performance of Barclays Bank?

Very great extent [ ]

Great extent [ ]
16. Kindly indicate your level of agreement with the following statements that relate to the effects of marketing intermediaries on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barclays Bank’s performance is highly reliable on the inclusion of banking agents in the system.</td>
<td></td>
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</tr>
<tr>
<td>Barclays Bank should include and maximally utilize her banking agents to broaden her customer base</td>
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</tr>
<tr>
<td>Customers are more likely to prefer agent banking to queueing in the bank hall</td>
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</tr>
</tbody>
</table>

**Part E: Financiers**

17. In your opinion, to what extent do financiers impact the performance of Barclays Bank?

<table>
<thead>
<tr>
<th>Extent</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>[ ]</td>
</tr>
<tr>
<td>Great extent</td>
<td>[ ]</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>[ ]</td>
</tr>
<tr>
<td>Little extent</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
18. Kindly indicate your level of agreement with the following statements that relate to the effects of financiers on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financiers are willing to take high risks to ensure Barclays Bank is at optimal performance</td>
<td></td>
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</tr>
<tr>
<td>Barclays Bank can perform optimally with customer deposits, without other external financiers.</td>
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</tr>
<tr>
<td>Stakeholders have resulted to fast growth of Barclays Bank’s performance</td>
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</tr>
</tbody>
</table>

**Part F: The Public**

19. In your opinion, to what extent does the public impact the performance of Barclays Bank?

   - Very great extent [ ]
   - Great extent [ ]
   - Moderate extent [ ]
   - Little extent [ ]
   - No extent [ ]

20. Kindly indicate your level of agreement with the following statements that relate to the effects of the public on the performance of Barclays Bank.
Part E: Labor

21. In your opinion, to what extent does labor impact the performance of Barclays Bank?

   - Very great extent [ 
   - Great extent [ 
   - Moderate extent [ 
   - Little extent [ 
   - No extent [ 

22. Kindly indicate your level of agreement with the following statements that relate to the effects of labor on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>To raise her performance, Barclays Bank should increase her labor</td>
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</tr>
</tbody>
</table>
A motivated labor force is crucial to the Bank’s performance growth

Barclays Bank should lay off her manual labor and invest more on e-banking for optimal performance

SECTION IV: EFFECTS OF ENVIRONMENTAL FACTORS ON PERFORMANCE OF BARCLAYS BANK

23. Kindly indicate your level of agreement with the following statements that relate to the effects of environmental factors on the performance of Barclays Bank.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro environmental factors affect Barclays Bank’s performance more than macro environmental factors.</td>
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</tr>
<tr>
<td>Combined micro and macro environmental factors have significant effects on the Bank’s performance</td>
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</tr>
<tr>
<td>Environmental factors should be included in the Bank’s performance strategies to achieve optimal results</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

THANK YOU