EMERGING STRATEGIC ISSUES INFLUENCING PERFORMANCE OF
ORGANIZATIONS WITHIN THE BANKING INDUSTRY IN KENYA:
A case of Commercial Banks operating in Nairobi Central Business District.

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DECLARATION.

This Project Report is my original work and has not been presented for a degree award in any other institution.

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DEDICATION

I dedicate this research to my loving parents; Mzee Nyamosi and caring mother Moragwa; all my siblings, my grandmother Kemuma; My wife and kids to be.
ACKNOWLEDGEMENT

My sincere gratitude goes to my supervisor, Mr. S. Bett for his intellectual guidance throughout this study. I am grateful to Mr. Zakayo and family for their support during this endeavour.

Thanks to my friend Henry for his moral and relentless encouragement that has brought me this far. Regards to my academic peers Mum Mwololo, Mrs. Njoka C. and Madam Hazel and my friend Evans Nyangena who helped me to put together this report.

I extend my thanks to Mrs. Clementina Namayi, Mercy and Farah Shifo of Kenya Airways for accepting to keep me in their arms for the success of this research. Gratitude to all Christians of Tassia Catholic Church for their spiritual nourishment.

My gratitude also goes to all managers of my locale of study for sparing their time to participate in this study. To all who participated to make this endeavour a success, God bless you abundantly.
LIST OF ABBREVIATIONS.

ATM  Automated Teller Machine.
CBK  Central Bank of Kenya.
C.P  Customer Profile.
N.C.B.D Nairobi Central Business District.
P/F.O Private/Foreign Owned.
S.I.A Strategic Issues Analysis.
S.O  State Owned.
S.W.O.T Strengths Weaknesses Opportunities and Treats.
3Cs  Customer, Competition and Corporation.
C.S.R Corporate Social Responsibility.
S.R.As Social Responsibility Areas.
I.S.P Internet Service Providers.
I.C.T Information Communications Technology.
DEFINITION OF TERMS.

For the purpose of this study, the following terms shall be used and shall mean as follows:

**Organization:** A formalized intentional structure of roles or positions, which create an arrangement of positions through which an enterprise can carry out its work and achieve its objectives.

**Performance:** The quantity and quality of task contributions from an individual or group doing a job in pursuance of organizational objectives.

**An issue:** Something, which indicates that the status quo is likely to change and that the change might make the current strategy ineffective and consequently inappropriate.

**A strategic issue:** A major opportunity or threat, which could critically affect the future performance of a business.

**Strategic issues analysis (S.I.A):** The process of seeking information about events and their relationships in a firm’s outside environment.

**Operating environment:** It is that level of the organization’s external environment made up of components that have relatively specific and more immediate implications for managing the organization.

**Competitive advantage:** The set of factors or capabilities that allows firms to consistently outperform their rivals.

**Strategic Business Units (SBUs):** The individual parts of a business that interact with the external environment in such a distinctive and cohesive way that they can be viewed as independent strategic units.

**Joint venture:** This refers to an agreement where two or more often competing firms join forces for manufacturing, financial and marketing purposes.

**Social Capital:** This is the interpersonal relationship, trust, empathy, team spirit and effective communication across the functional and hierarchal levels that exist in an organization.
Corporate Social Responsibility: This refers to the implied, enforced or failed obligation of managers acting in their capacity to serve or protect the interest of groups other than themselves.

E-commerce: This is the art of conducting business electronically across the extended enterprises.
The main purpose of this study was to investigate the influence of emerging strategic issues on the performance of organizations within the banking industry in Kenya. The study also aimed at finding out the extent to which corporate social responsibility, e-banking, strategic partnership; social capital, customer competitor profiling influence the performance of commercial banks. The study subjects consisted of forty, (40) managers from eight (8) commercial banks operating in the Nairobi Central Business District (N.C.B.D.). The study population consisted of four (4) local state owned commercial banks and four (4) privately/Foreign owned commercial banks. The stratified sampling procedure was used to derive the study sample. A constructed questionnaire was used to collect the data. Descriptive statistics was used to analyze the collected data. Recommendations were made to bank managers and other strategic business managers as well as future researchers interested in the field of strategic management.
# TABLE OF CONTENTS

Declaration ................................................................. i
Dedication ................................................................... ii
Acknowledgment ............................................................ iii
List of abbreviations ........................................................ iv
Definition of terms ........................................................... v
Abstract ....................................................................... vii
Table of contents ........................................................... viii
List of figures and tables ................................................... x

## CHAPTER ONE:

1.0 INTRODUCTION .......................................................... 1
1.1 Background of the study ............................................ 1
1.2 Statement of the problem ........................................... 2
1.3 Objectives of the study .............................................. 4
1.4 Research questions .................................................. 4
1.5 Significance of the study ............................................ 5
1.6 Scope of the study .................................................... 5
1.7 Assumptions of the study .......................................... 5

## CHAPTER TWO

2.0 LITERATURE REVIEW .................................................. 6
2.1 Introduction to Literature Review .............................. 6
2.2 Conceptual Framework ............................................ 6
2.3 Past studies done in the area ..................................... 7
2.3.1 Performance ....................................................... 7
2.3.2 Corporate Social Responsibility .......................... 8
2.3.3 Electronic Banking ............................................. 9
2.3.4 Strategic partnership .......................................... 10
2.3.5 Social Capital ................................................... 12
2.3.6 Customer and Competitor profiling..................................................13
2.4 Critical Review.........................................................................................17
2.5 Conclusion of Literature Review............................................................20

CHAPTER THREE: RESEARCH METHODOLOGY.............................................21
3.0 Introduction............................................................................................21
3.1 Research design.....................................................................................21
3.2 Locale of study......................................................................................21
3.3 Target population..................................................................................21
3.4 Sampling Design...................................................................................22
3.5 Instrumentation.....................................................................................23
3.6 Data collection Method.........................................................................23
3.7 Data analysis..........................................................................................24

CHAPTER FOUR: RESULTS OF THE STUDY.................................................25
4.0 Introduction............................................................................................25
4.1 Descriptive statistics............................................................................25

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND
RECOMMENDATIONS....................................................................................44
5.0 Discussion...............................................................................................44
5.1 Summary and Conclusion....................................................................50
5.3 Recommendations for further research...............................................51

Bibliography...............................................................................................52

Appendix I..................................................................................................55

Appendix II................................................................................................66

Appendix III...............................................................................................67

Appendix IV Letter of Authority.................................................................68
LIST OF FIGURES AND TABLES

Figure 2.1: The conceptual framework .................................................. 6

Table 2.3.0: An example of a competitive profile ....................................... 14

Table 3.4: Study sample population .......................................................... 23

Table 4.1: Respondents professional experience ....................................... 25

Table 4.2: Operational changes experienced by commercial banks in the past ................................................................. 26

Table 4.3(a): Market dominance ............................................................... 26

Table 4.3(b): Determinants of customer loyalty ......................................... 27

Table 4.4: Factors influencing customer behaviour .................................... 27

Table 4.5(a): Ways of retaining bank customers ....................................... 28

Table 4.5(b): Bank incentives ................................................................. 28

Table 4.6: Strategies for attaining market superiority ................................ 29

Table 4.7(a): Engagement in corporate social responsibility ....................... 29

Table 4.7(b): social responsibility activities ............................................ 30
Table 4.8: Relationship between corporate social responsibility and competitive advantage ................................................................. 30

Table 4.9: E-banking products utilized by commercial banks ......................................................... 31

Table 4.10: Influence of e-banking in market share ................................................................. 31

Table 4.11: Challenges faced while utilizing e-banking facilities .............................................. 32

Table 4.12: Elements of social capital ..................................................................................... 33

Table 4.13(a): Encouraging social development ...................................................................... 33

Table 4.13(b): Ways of promoting social capital development .................................................. 34

Table 4.14(a): Influence of social capital on the performance of commercial banks .......... 35

Table 4.14(b): Relationship between social capital and performance ....................................... 35

Table 4.15: Banks in strategic partnerships .............................................................................. 36

Table 4.16: Forms of strategic partnership ............................................................................. 36

Table 4.17: Benefits of strategic partnership ........................................................................... 37

Table 4.18: Constraints of strategic partnership ...................................................................... 37

Table 4.19: Forecasting methods used by banks ..................................................................... 38
Table 4.20(a): The impact of study variables on the performance of banks.

Table 4.20 (b): Relationship between strategic issues analysis and performance.

Table 4.21 (a): International banking issues affecting the banking industry in Kenya.

Table 4.21 (b): The impact of international issues on the banking industry.

Table 4.22: Ways of improving the banking industry.

Table 4.23(a): Number of respondents recommending the creation of a strategist’s position.

Table 4.23(b): Recommended roles for a strategist.
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The organization's environment is the source of both potential business opportunities and possible threats. Skillful strategic business managers are able to identify market niches that offer the potential for increased organizational growth and profitability. They achieve their objectives by ensuring that there is a match between environmental conditions and organizational capabilities, which is critical to performance. Business environment is ever changing; therefore, managers must constantly be aware of the changing forces in the environment and their impact on the business' performance thus instituting appropriate mechanisms to ensure that the firm attains its mission.

The banking industry is not exempted from environmental changes that affect other industries. For instance, technological changes have necessitated major innovations in the banking industry with an apt to expand and improve service delivery. These changes have seen major face lifts of all banking facilities to keep pace with an ever-increasing customer demand. This is evident in an elapse increase use of ATMs in checking account balances withdraw and depositing of money into customer accounts. The above changes are inevitable since people are seeking alternatives for fast, safe and efficient service delivery. Many commercial banks in Africa have been forced to downsize, merge or completely close down their operations due to unbearable forces within the business environment. Kenya's banking industry, too, has experienced much change forcing it to initiate innovations and new installations to keep abreast with the international banking standards. In addition, the banking industry in Kenya faces major challenges such as
poor or lack of proper environmental analysis and unprecedented financial policies that have prompted to closure or receivership of some financial institutions such as Trust Bank and Euro Bank.

In an uncertain environment, the future can never be exactly predicted. Effective and efficient management of commercial banks require analysis of emerging strategic issues within their operating environment. Analysis of these issues seeks information about events and relationships in a firm’s outside environment, the knowledge that would assist the top management in its task of charting the organization’s future course of action. One then can say with some considerable amount of certainty that strategic issues analysis (S.I.A.) is an imperative process that could help managers clarify their assumptions about the future and make rational choices by designing organizational systems to deal with alternative futures with a constant monitoring and updating business strategies to enhance development of the firm’s sustainable competitive advantage within its industry.

1.2 Statement of the Problem

The banking industry in Kenya has experienced major changes ranging from economic to technological. The past ten years have witnessed a closedown or conglomeration of several bank branches of major commercial banks countrywide. Some banks have been acquired e.g. ABN-AMRO acquired by Citibank and others such as Delphis Bank and Euro bank have been placed under statutory management by the CBK. While this is happening, multinational banks continue to dominate in the industry as other U.S banks strengthen their correspondence relationships with Kenyan banks. These changes have necessitated adjustments in organizational operations that have either led to
underperformance, stunted industrial growth or a complete closure of some commercial banks. This has considerably been attributed to lack of business acumen among managers to effectively analyze emerging strategic issues in the banking industry's environment.

Donald F. Harvey (1988) posits that strategic issues are important determinants of future business strategy for competitive positioning. He further argues that one problem area for companies that had stumbled from the ranks was due to their inability to adapt to fundamental changes in the market. These firms became victims of strategic surprise. The future success of the banking industry in Kenya relies on the recognition of potential business opportunities and possible threats in the industry's environment. Environmental scanning will not only help managers to identify future business opportunities and treats but also significant in availing and committing resources to meet organizational objectives.

This study, therefore, purported to investigate the influence of emerging strategic issues on the performance organizations within the banking industry in Kenya.

The study findings showed that the performance of commercial banks in Kenya had a significant dependency on how well their operating environment was analyzed and strategic issues therein were embraced. Though there are other issues outside the operating environment that affect the banks' performance the results showed that issues within the operating environment had an immediate impact on performance and needing proper analysis and immediate response.
1.3 Objectives of the Study

The main objective of this study was to establish the relationship between emerging strategic issues and organizational performance of the banking industry in Kenya. Specifically, the study aimed at:

(i) Investigating the influence of corporate social responsibility on the performance of commercial banks in Kenya.

(ii) Establishing the influence of electronic banking on the performance of the banking industry in Kenya.

(iii) Investigating whether strategic partnership has any influence on the performance of commercial banks.

(iv) Finding out if social capital influences the performance of commercial banks.

(v) Determining whether customer and competitor profiling have any influence on the performance of commercial banks in Kenya.

1.4 Research Questions.

(i) Do corporate social responsibility and social capital have any influence on the performance of commercial banks in Kenya?

(ii) Has electronic banking influenced the performance of commercial banks in Kenya?

(iii) What influence do strategic partners have on the performance of commercial banks?

(iv) What is the impact of customer and competitor profiling on the performance of commercial banks?

(v) Is there any relationship between emerging strategic issues and organizational
performance of the banking industry in Kenya?

1.5 Significance of the Study

The study will increase existing knowledge and literature on this topic as well as creating awareness to business managers of emerging strategic issues in the competitive environment and the need for their proper analysis. The research findings will facilitate business managers with recommendations that will help them deal with strategic issues thus formulating more viable business strategies to keep their organizations competitive in the industry. It will also help the managers to redefine business policies to ensure that their firms are strategically fit for high productivity.

1.6 Scope of the Study

The study was limited to investigating emerging strategic issues within the operating environment of commercial banks and their influence on the banking services. A sample of commercial banks operating within Nairobi’s CBD was drawn. This study, therefore, did not investigate strategic issues emerging within the banks’ internal and general environment, which could impact on their performance.

1.7 Assumptions of the Study

(a) That the respondents willingly volunteered true information.

(b) Emerging strategic issues in the operating environment affecting the performance of commercial banks also have the same influence on other financial organizations within the banking industry in Kenya.
2.0 LITERATURE REVIEW.

2.1 INTRODUCTION TO LITERATURE REVIEW.

The chapter discusses past studies that shall be used to try and explain the influence of industry environment upon the firm’s competitive strategic advantage. A conceptual framework showing the relationships between variables in the current study is summarized. Finally, a critical review of studies related to the area understudy is analyzed and their findings compared with the anticipated results of the current study.

2.2 The Conceptual Framework.

The conceptual framework is as summarized in figure 2.1 below.

**Figure 2.1. The Conceptual Framework**

- Corporate Social Responsibility
- Electronic Banking
- Strategic Partnership
- Social Capital
- Customer and Competitor Profiling

**Independent Variable**

**Dependent variable**

*Source: Researcher (2005)*
2.3 PAST STUDIES DONE IN THE AREA.

2.3.1 Performance

Through the amendment of the Central Bank of Kenya act in 1996, CBK was accorded greater control over monetary policy. Under the law, CBK has to maintain price stability and administer the financial sector.

In regulating the financial sector, GOK imposed the foreign exchange exposure limit to 20% of a bank’s capital. There were cases of insolvency of banks in 1998 with five commercial banks placed under statutory management. According to the Quarterly Journal vol. 22 No.1 (2003) on conditions and performance of commercial banks, the banking sector though diversified, continues to grapple with the problem of non-performing loans. The affected banks’ provisions for bad and doubtful debts reduce their profits and declared year-end results.

High performance in commercial banks is commensurate with the ability of the managers to ensure optimal utilization of the institution’s resources. Multinational banks such as Barclays and Standard Chartered continue to considerably dominate the banking industry in Kenya because they have empowered their Strategic Business Units (SBUs) by providing them with the necessary resources thus outperforming their competitors in the industry.

Resource-based theory posits that although environmental opportunities and threats are important considerations, firms’ unique resources comprise the key variables that allow it to develop and sustain a competitive strategic advantage. A bank’s resources encompass all its tangible and intangible assets such as capital, human resources, knowledge,
information and facilities that form a strong foundation to implementing business strategies. Therefore, optimal utilization and management of the banks' unique resources as well as proper analysis of emerging issues, is imperative to its performance in a competitive banking environment.

2.3.2 **Corporate Social Responsibility (C.S.R.).**

Corporate Social Responsibility is the enforced or failed obligation of managers acting in their official capacity to serve or protect the interest of group other than themselves. C.S.R takes into consideration the impact of the company’s action on society. It is the responsibility of the business to improve the overall welfare of the society by refraining from harmful practices or by making a positive effect to help the society. Matsushita Konosuke (1983) aptly expressed his views on social responsibility of a firm in the following words:

> “The mission of a manufacture is to overcome poverty, to relieve society as a whole from the misery of poverty and bring it wealth.

> Business and production are not meant to enrich the shops and the factories of the enterprise concerned, but all of society.

> Society needs the dynamism and vitality of business and industry to generate its wealth. Only under such conditions will business and factories prosper……”

Matsushita’s expression leaves much desire to commercial banks whose managers drive hard to effectively execute social responsibility activities.

Though there are many arguments against social responsibility, commercial banks in Kenya have utilized opportunities that come with their involvement in community
service to improve on their market share. For example, K.C.B has taken the initiative to sponsor Safari Rally in Kenya; Standard Chartered bank is the official sponsor of “Standard Chartered bank Nairobi Marathon”, which is recognized by IAAF. Other banks too are involved in sponsoring various social activities such as sports and contribution to the education kit, campaigns to protect and improve the physical environment, natural catastrophes e.g. Tsunami, famine among other activities.

It is in the best interest of a firm to promote and improve the community where it does business. The creation of a better social environment benefits both the society and the business. Societies benefit from employment opportunities, while firms benefit from a better community, which is a source of its workforce and the consumer of its products and services.

It is the prerogative of the managers to analyze the benefits accruing from their banks’ involvement in social activities and selecting the main Social Responsibility Areas (S.R.A) to be pursued by their institutions to maximize the potentials that other banks have ignored by formulating and implementing vibrant strategies to tap social responsibility opportunities.

2.3.3 Electronic Banking.

Global business transactions are undergoing a fantastic revolution as a result of evolving technology (Magdallen Juma 2000). E-commerce, the art of conducting business electronically across the extended enterprises, is changing the nature of organizations. Traditional geopolitical boundaries have been eroded by ICT, which is also offering unprecedented opportunities for large and small enterprises globally. The banking
industry in Kenya is among the sectors, which have embraced the potential of technology. Most commercial banks, especially those in regions that have access to internet facilities, have resorted into electronic banking. Days of carrying large passbooks and banking in one specific bank branch are long gone. The use of ATMs in checking, withdrawing, depositing and electronic money transfers is on the increase. Long queues in commercial banks are becoming history.

Commercial bank customers can access information on new products and services via the internet which is relatively cost effective. Some banks through partnership with Internet Service Providers (ISP) and mobile providers have made it possible for bank customers to check their account balances at the touch of a button.

Branchless banking and electronic money transfers are other unique features that have shaped the banking industry. It is now easy and cheap to execute intra and interbank money transfers. Though the use of e-banking may come with its imbendments such as questions on privacy, it has a positive effect on the performance of commercial banks. With this trend, it is most probably that only those banks with the ability to redefine their businesses to embrace the potential of technology and incorporate it in their systems for developing competitive strategies that will command a large market share and high performance in the banking industry.

2.3.4 **Strategic Partners /Alliances.**

In a world of globalization, firms intending to do business in foreign countries must consider adopting strategies of going abroad. This is because of existence of a diverse business culture, political practices and economic environments which are likely to be an
hindrance to any foreign country wishing to operate away from its region or continent. To achieve their business mission, firms may decide to enter into agreement with their counterparts by way of joint ventures, licensing, franchising or direct investment. Partnership facilitates a firm’s entry into markets that would otherwise be closed by tariffs, government attitudes and policies.

Through strategic partnership, a firm can spread its proprietary technology giving it a wider exposure than that of its rivals in the industry. Additionally, costs and risks in the firm operations are shared among its partners thus increasing its investment power with less fears of failure.

However, it should be noted that strategies of going abroad adopted by a firm come with their demerits. For instance, there is a danger of establishing a future competitor through licensing. During the license period a licensee may gain much know how from the licensor to be able to operate independently eventually becoming its major competitor.

Partnership is a common phenomenon among commercial banks. Most banks have established relationships with other financial and academic institutions such as colleges and universities. These relationships enhance the bank’s superiority in terms of its market share. Some local commercial banks have formed alliances with other multinational financial institutions to facilitate banking activities across the boundaries with minimal interference from legal bodies. Strategic partnerships have proved to be effective in increasing commercial banks’ market share thus improving their performance in the banking industry.

It is imperatives that before going into partnership, a firm must as much as possible
analyze its strategic partners to ascertain important information about their competencies in the industry. This information would help a firm to decide on the type of strategy to adopt and the kind of partners it would wish to do business with.

2.3.5 **Social Capital.**

Human capital is the foundation of an organization's success. It is the representative of the level of human capital and social capital. Most organizations have stressed the importance of human capital, that is, the knowledge, skills, expertise and competence that an employee has learned and acquired.

In a dynamic business environment, organizations must make strategic choices and create positions in the market place that are not equal to, but greater in sustainable terms than the challenges of competition, customer demand and continuous and relentless change. (Christopher Gekonge, the Managing Director, Askim Management Consultants).

Lawrence Pruasak, et al (2001), defines social capital as the interpersonal relationship, trust, empathy, team spirit and effective communication across the functional and hierarchical levels that exist in an organization. Scholars and consultants indicate that in fully social capital situations, people have a sense of ownership and increasingly desire to participate in the business. Social capital gives the employees the knowledge and perspective that makes them partners in the performance and growth of the business.

Gekonge, a consultant, indicates that business success is 20% the numbers and 80% the people, because it is the people who create value in organizations. He further notes that individuals make the differences and companies do not succeed, it is people who succeed.
Scholars and consultants argue that businesses run better when people within an organization, know and trust one another and thus it can be achieved by employees meet regularly to enrich their relationships.

It is evident that social capital in banking organizations is a source of sustainable competitive advantage. Bank managers should, therefore, not only seek to recruit best employees in terms of their competencies but also invest in building the institutions' social capital by establishing a model that could embrace it.

2.3.6 Competitive and Customer Profiling.

Organizations operate in environments with scarce resources. They therefore must compete against one another in order to obtain these measures. For an organization to know its competitive position in the industry environment, it is imperative to develop a competitive profile.

Competitor profiling entails the basic analysis of a leading competitor covering its objectives, resources, market strengths and current business strategies. Development of competitor profiles enables the firm to more accurately forecast its short- and long-term growth and its profit potentials.

Richard Lynch (1997) argues that for an organization to have a viable competitive profile, managers must sort to find out: who their competitors are, factors in the market that influence competition, how to achieve market superiority, resources that competitors possess that are lacking in their organization, cost comparison in terms of high or low prices and whys, quality and service delivery issues and market dominance.
Once the above issues are identified and addressed, a criterion for constructing a competitor’s profile is selected. The competition profile reflects key success factors such as market share, price competitiveness, facility location, calibre of personnel and customer profile among many other success factors.

The selected key success factors are rated and weighted to reflect their importance to a firm’s success. The weighted scores are summed to yield a numerical profile of the competitor. An example of a competitive profile is shown in table 2.3.2.

Table 2.3.2: An example of a competitive profile.

<table>
<thead>
<tr>
<th>KEY SUCCESS FACTORS</th>
<th>WEIGHT (X)</th>
<th>RATING (Y)</th>
<th>WEIGHTED SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>0.30</td>
<td>4</td>
<td>1.20</td>
</tr>
<tr>
<td>Price Competitiveness</td>
<td>0.20</td>
<td>4</td>
<td>0.80</td>
</tr>
<tr>
<td>Facility location</td>
<td>0.20</td>
<td>5</td>
<td>1.00</td>
</tr>
<tr>
<td>Calibre of Personnel</td>
<td>0.10</td>
<td>1</td>
<td>0.10</td>
</tr>
<tr>
<td>Technological innovations</td>
<td>0.20</td>
<td>3</td>
<td>0.60</td>
</tr>
</tbody>
</table>

\[ \sum XY = 3.70 \]
Interpretation: 5 points - A very strong competitive position
4 points - Strong competitive position
3 points - Average competitive position
2 points - Weak competitive position
1 point - Very weak competitive position

Source: Researcher 2005

By assessing its competitive position, a firm has chances of designing strategies that optimize its environmental opportunities. A firm can achieve a sustainable competitive advantage through production service differentiation that positions it to appeal to the market. Niche marketing, that is, selection of a small market segment and concentrating on it improves a firm's superiority. Recruitment of talented individuals who can't be matched to other companies, quality service delivery, competent leadership style and synergy are the basic constituents of a sustainable competitive advantage.

The purpose of competitive analysis is to help the management appreciate the strengths, weaknesses, and capabilities of existing potential competitors and predict what strategies are likely to be adopted. It also aids the managers to identify factors that might make competitors vulnerable to the strategies the firm might choose to implement. Generally performing a S.W.O.T analysis is of great significance in the formulation and implementation of vibrant business strategies that are not vulnerable to duplication by other competitors in the banking industry.

On the other hand, the customer is an important variable of the operating environment
reflecting the characteristics and behaviour of those utilizing the firm’s services or products. Kotler (2000) notes that assessing consumer behaviour is a key element in the process of satisfying your target market needs. He argues further that in the process of developing customer profiles, the management should take into consideration variables for consumer markets. These variables include geographic, demographic, psychographic and buyer behaviour aspects.

Geographic aspects define the geographic area from which customers could come while demographics are used to differentiate groups of present or potential customers in terms of age, gender, marital status, income and occupation. Psychographic variable consists of the customer’s personality and lifestyle, which are better predictors of customer purchasing behaviour. Buyer behaviour is used to predict and explain some aspects of customer behaviour with regard to choice of a service.

Kotler’s argument is reinforced by Richard Lynch (1997), who posits that analysis of the customer and market segmentation is important because some segments are more profitable than others while others have more competition. In addition, some segments have the tendency of growing faster and offer more development opportunities than others.

The process of analyzing the firm’s customers consists of four major steps, that is, identifying the firm’s customers and competitors now and in future, profiling customers and their purchase decisions, market segmentation and identification of segmentation gaps.
In his 3Cs Model explaining the key factors for success in an industry, Ohmae (1997) argues that customers of an organization form fundamental contribution to its survival and growth. In an effort to develop a customer profile, managers should seek information on whom their potential customers are, special segments dominated by their firm, and why their customers buy from them and not from the firm’s competitors.

The management is able to analyze the firm’s customers loyalty by assessing factors such as price, quality of service, service reliability, branding and technical specifications which have an immediate and direct impact on customers.

Developing customer profiles (C.P) helps the management generate ideas on how to improve customer acceptance of organizational services. It also improves the ability of the firm’s managers to plan for various operations, to anticipate changes in size of markets, and to reallocate resources so as to support forecast shifts in demand patterns.

2.4 Critical Review.

In his Industrial Organization theory, Joan Woodward (1980) argues that a firm must adapt to its particular industry’s forces to survive and prosper. Its financial performance is determined by competition of other industries. He further explains that industries with favourable structures offer the opportunity for high returns, while the opposite is true for firms operating in industries with less favourable forces.

A firm’s strategies, resources, and competencies are reflections of the industry environment. This indicates that commercial banks must adapt to their particular industry’s forces to survive and prosper. In addition, performance of the banking
industry is considerably influenced by growth of other sectors such as education, agriculture, tourism and trade, from which the industry draws its customers.

On the other hand, Edward Chamberlain (1975) presents his ideas on the basis of evolutionary environmental change. He argues that a single firm could clearly distinguish itself from its competitors by its wide range of service or product differentiation. Where such differentiation exists, even though it might be slight, buyers will be paired with sellers, not by chance ... but according to their preferences. Differentiation can exist for quite some time because of legal protection as trademarks, patent or because of a firm's unique strategies, competencies and resources that can not be easily duplicated by its competitors. Therefore, commercial banks need to structure a compatible fit between their competitive statuses. By assessing environmental opportunities and possible threats, commercial banks need to produce and market unique products to facilitate banking processes so that customers do not experience unnecessary delays. Unique customer care services also keep a banking company ahead of its competitors.

Lex Donaldson (2001) bases his argument on a basic principle that higher returns are associated with those firms that develop a beneficial fit with their environment. He denotes that the interaction of the organization and its environment at any level, that is, industry, strategic group or individual firm levels should be analyzed to ensure that the above fit exists. The firm can become proactive by choosing to operate in environments in which the opportunities and threats match the firm's strengths and weaknesses. Should
the environment change in a way that is unfavourable, the firm could perhaps relocate its resources and competencies to other more favourable locations.

A commercial bank should, therefore, scan the industry’s environment more often to check for any imbalances that may affect its performance. Additionally, a commercial bank can decide to relocate its resources to more economical locations and defy operating in uneconomical regions. However, if the firm realizes that its operations in the industry are at jeopardy, it has an option of relocating its resources and competencies to other more favourable industries.

Resource-based theory gives more weight to the firm’s proactive choices. It posits that although environmental opportunities and threats are important considerations, a firm’s unique resources comprise the key variables that allow it to develop and sustain a competitive strategic advantage. This theory emphasizes primarily on individual firms rather than on competitive environment.

Resource-based theory lays emphasis on the firm’s unique resources that keeps it at a competitive edge. A bank’s resources encompass all its tangible and intangible assets such as capital, human resources, knowledge, information, equipment and facilities that form a strong foundation to implement its business strategies. Optimal utilization and management of the bank’s unique resources is imperative to its performance in a competitive environment.

The above studies base their argument on evolutionary environmental changes, the firms’ resources and adjustments to fit into their particular industry. They, however, do not
clearly spell out the necessity to analyze strategic issues and how the firm’s resources could be utilized in accommodating emerging issues that may have diverse implications on organizational performance.

2.5 Conclusion of literature review

The above studies reveal that there is need to analyze the bank’s operating environment. The analysis of emerging strategic issues, that is, corporate social responsibility, e-banking, strategic partnership, social capital and customer/competitive profiling is an imperative process that helps bank managers to assess how these issues could influence the future performance of their institutions. Though there are many other emerging issues in the banking industry in Kenya, it was of interest to find out that emerging strategic issues under the current study concurred with most findings of past studies done in the area.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents research methodology and design. The following sections have been discussed: Research design, locale of study, target population, sample Design, instrumentation, data collection method and data analysis.

3.1 Research Design

Descriptive study using Questionnaires and personal interviews was adopted.

3.2 Locale of study

The locale of study included Kenya Commercial Bank (K.C.B), National Bank of Kenya, Cooperative Bank of Kenya, Consolidated Bank, Standard Chartered Bank, Barclays Bank, Citi Bank, and Equity Bank. The researcher collected data from branches of the above banks operating within the N.C.B.D.

3.3 Target population.

The parent population consisted of all commercial banks operating in the N.C.B.D. There are more than 48 commercial banks in the N.C.B.D. However, the main focus was on eight (8) selected banks. The target population for this study included State owned and private/ foreign commercial banks in Kenya. Information for the study was collected from managers of Human Resources, Commercial/Marketing, customer care, Research and Development departments. A senior manager from each bank was also be recruited for study. These departments were selected since they execute core-banking activities requiring proper business environmental analysis. In addition, the above privately/foreign
owned commercial banks were randomly selected after categorizing them according to
the different administrative orientations. Further, it will be of interest to find out whether
emerging strategic issues affecting the banking industry in Kenya would be similar across
the commercial banks despite being of different settings.

3.4 Sample Design.

The study adopted a complete census for state owned and a stratified sampling technique
for private/foreign owned commercial banks respectively. The stratification took into
consideration the following variables:

- Category of the bank (State owned or private),
- Years of operation in Kenya,
- Number of bank branches.

According to the central limit theorem, if $N \geq 30$ and random sampling has been effected,
the sample is normally distributed and representative of the target population (Vogt,
1993). A proportional number of managers from the two bank categories in the ratio of
1:1 (S.O: P.O) were recruited into the study sample comprising of 20 managers from state
owned commercial banks and 20 managers from privately owned commercial banks.
Therefore, a total of 40 managers were recruited into the study sample. This is as
summarized in table 3.4 next page.
Table 3.4: Sample population.

<table>
<thead>
<tr>
<th>Category of Bank</th>
<th>Number of selected banks</th>
<th>Population Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private/Foreign</td>
<td>5</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Public/State owned</td>
<td>5</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>40</td>
<td>100</td>
</tr>
</tbody>
</table>


3.5 Instrumentation

A self-administered questionnaire and in-depth interviews were used. The questionnaire comprised of four sections;

SECTION A: Included questions seeking biographical data of the managers.

SECTION B: Included questions seeking data on the bank’s customer and competitor profiling.

SECTION C: Included questions seeking data on the influence of Corporate Social Responsibility, E-banking and strategic partnership on the bank’s performance.

SECTION D: Included questions seeking data on the role(s) of the selected departments in analyzing strategic issues as well as views and suggestions on national and international issues of significance in the banking industry.

3.6 Data collection method

With the help of a research assistant under supervision of the researcher, the questionnaires were distributed to the respondents. An in-depth interview of twenty five percent (20%) of the respondents i.e. eight managers (8) was conducted and results compared with those of the questionnaires to minimize bias.
The filled questionnaires were collected and coded for analysis.

3.7 Data analysis

Raw data was coded and analysis done by computer using a statistical software SPSS-(Statistical Package for Social Sciences) version 11.5. Descriptive analysis was employed to check on the trends of research variables in the banking industry. Then research questions were answered. The study results have been presented using statistical tables.
CHAPTER FOUR

RESULTS OF THE STUDY

4.0 INTRODUCTION

In this chapter, the results of the present study are presented. The research set out to explore emerging strategic issues influencing the performance of organizations within the banking industry in Kenya.

In presenting the findings relevant to the research questions, descriptive statistics has been used to analyze only questionnaire items that address the research questions.

4.1 DESCRIPTIVE STATISTICS

All respondents were managers drawn from eight (8) commercial banks operating in the Nairobi Central Business District (N.C.B.D). Four (4) of these commercial banks were privately owned while the other four (4) were commercial banks where the state owns a large share. A total of forty (40) managers were selected for the study. However, the responses from thirty five (35) respondents (87.5 %) were used for data analysis.

4. For how long have you worked in your profession? Tick (✓) appropriately.

Table 4.1: Respondents’ professional experience.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-10 years</td>
<td>12</td>
</tr>
<tr>
<td>10-15 years</td>
<td>15</td>
</tr>
<tr>
<td>over 15 years</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Author (2005)
Table 4.1 shows that most of the managers have an experience of between 10 -15 years in their profession.

8. Which of the following changes has your bank experienced in the past?

Table 4.2: Operational changes experienced by commercial banks

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Merging</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>Closing some branches</td>
<td>32</td>
<td>91.4</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.2 above it can be observed that a high percentage of banks (91.4%) were forced to close down some of their branches in the past. A total of three banks (8.6 %) were merged.

10. (a) Are there any special market segments that your bank dominates?

Table 4.3(a): Market dominance.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>35</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.3 (a) above it can be observed that all commercial banks (100%) have special market segments that they dominate.
(b) If your answer in (a) above is YES, what makes your bank win the loyalty of these segments?

Table 4.3 (b): Determinants of customer loyalty.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good electronic banking</td>
<td>19</td>
<td>54.3</td>
</tr>
<tr>
<td>Relationship management</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td>Superior products at low pricing</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.3 (b) above, it can be observed that good electronic banking facilities, relationship management and superior banking products at low pricing were cited as a means of winning the loyalty of bank customers.

11. How do the following factors influence customer behaviour in your bank?

Table 4.4: Factors influencing customer behaviour.

<table>
<thead>
<tr>
<th></th>
<th>Frequency (N=35)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank charges</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>Service reliability</td>
<td>10</td>
<td>29</td>
</tr>
<tr>
<td>Quality services</td>
<td>12</td>
<td>34</td>
</tr>
<tr>
<td>Interbank relations</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)
The result shown in Table 4.5 above indicates that quality services, 34%, greatly influence customer behaviour in most commercial banks.

12. (a) Does your bank offer any incentives to attract and retain its customers.
Table 4.5 (a): Ways of retaining bank customers.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>35</td>
</tr>
<tr>
<td>No</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.5 (a) above, it can be noted that all banks offered some kind of incentives to attract and maintain their customers.

(b) If your answer in (a) above is YES, please mention some of these incentives in place?

Table 4.5 (b): Bank incentives.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concesional pricing</td>
<td>8</td>
</tr>
<tr>
<td>Waving of charges for some products</td>
<td>23</td>
</tr>
<tr>
<td>Others</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.5 (b) above, concesional pricing and charge waiver for some bank products were cited as the most rewarding incentives put in place by many commercial banks to attract and maintain customers.
14. What type of strategies would you propose to be put in place to enable your bank attain market superiority in the banking industry?

Table 4.6: Strategies for attaining market superiority.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourage automation and use of electronic banking</td>
<td>29</td>
</tr>
<tr>
<td>Diversity into investment banking</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.6 above, a majority of respondents (82.9%) felt that encouraging automation and use of electronic banking could aid commercial banks to achieve a competitive position in the banking industry. Diversity into consumer and investment banking was also cited as a possible strategy to increase the bank’s market niche.

15. (a) Does your bank engage in any social responsibility activities?

Table 4.7 (a): Engagement in corporate social responsibility.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>31</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.7 (a) above, it can be noted that 88.6% of commercial banks engage in some social responsibility activities.
(b) If your answer to question 15(a) above is YES, please list any three main Social responsibility areas undertaken by your bank.

Table 4.7 (b): Social responsibility activities.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sponsors of operation smile</td>
<td>8</td>
<td>22.9</td>
</tr>
<tr>
<td>Community service</td>
<td>18</td>
<td>51.4</td>
</tr>
<tr>
<td>Junior achievements programmes</td>
<td>5</td>
<td>14.3</td>
</tr>
<tr>
<td>Not answered</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.7 (b) above, it can be observed that most banks are sponsors of a diverse number of social activities such as operation smile, junior achievement programmes and other community services like tree planting and community cleaning exercises.

16. How would you rate the relationship of your bank’s involvement in social responsibility and its competitive advantage in the banking industry?

Table 4.8: Relationship between social responsibility and competitive advantage.

<table>
<thead>
<tr>
<th>Rating</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very strong</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>Strong</td>
<td>25</td>
<td>71.4</td>
</tr>
<tr>
<td>Average</td>
<td>6</td>
<td>17.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)
From **Table 4.8** above, 71.4% (25) respondents strongly agreed that their banks’ involvement in social responsibility activities had a positive impact on the banks’ competitive advantage.

**19.** Please tick (✓) the e-banking products/services utilized by your bank in executing core banking activities.

**Table 4.9:** E-banking products utilized.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATMs</td>
<td>24</td>
<td>68.6</td>
</tr>
<tr>
<td>Electronic money transfers</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>Credit cards</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>Others</td>
<td>5</td>
<td>14.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Author (2005)*

From **Table 4.9** above, it can be noted that a large number (68.6%) of commercial banks in the NCBD utilize ATMs while only 8.6% of commercial banks utilize electronic money transfers and credit cards in transacting their business.

**21.** How has e-banking influenced the bank’s market share?

**Table 4.10:** Influence of e-banking on market share.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased bank’s market share</td>
<td>26</td>
<td>74.3</td>
</tr>
<tr>
<td>No change</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Decreased market share</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
From Table 4.10 above, it can be observed that e-banking has increased most banks’ market share. However, 5.7% and 20% of the respondents felt that e-banking has brought no change and decreased market share respectively.

22. What challenges are experienced by your bank while utilizing e-banking as an opportunity in the banking industry?

Table 4.11: Challenges in the utilization of e-banking.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of internet facility in most regions</td>
<td>12</td>
<td>34.3</td>
</tr>
<tr>
<td>Fraud in electronic money transfers</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>Sensitizing customers in utilizing e-banking facilities</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td>Government regulations on the expansion of bank facility</td>
<td>5</td>
<td>14.3</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.11 above, it can be noted that sensitizing customers to embrace e-banking and lack of proper infrastructure, 40% and 34.3% respectively were the greatest challenges faced by commercial banks in utilizing e-banking as an opportunity in the banking industry. Other challenges cited included fraud cases in electronic money transfers and stringent government regulations on the expansion of bank facilities and operations.
S23. Please rate the following element of social capital as depicted among the bank’s human resources.

Table 4.12: Elements of social capital.

<table>
<thead>
<tr>
<th></th>
<th>Frequency (N=35)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empathy</td>
<td>13</td>
<td>38</td>
</tr>
<tr>
<td>Team spirit</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Trust</td>
<td>5</td>
<td>14</td>
</tr>
<tr>
<td>Effective communication</td>
<td>11</td>
<td>31</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.12 above, empathy was cited to have the greatest impact on social capital development in many banks.

24. (a) Does the bank’s management encourage social capital development?

Table 4.13(a): Encouraging social capital development.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>17</td>
<td>48.6</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>No idea</td>
<td>11</td>
<td>31.4</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.13 (a) above, it can be observed that 48.6% (17 respondents) of the respondents asserted that their bank managers embraced social capital development.
However, it was interesting to note that 31.4% of the managers had no idea of what social capital development entailed.

(b) If your answer to question 24 (a) above is yes, please tick the conspicuous social activities adopted by your bank to create and develop its human social capital.

Table 4.13(b): Ways of promoting social capital development.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal merit promotions</td>
<td>5</td>
<td>14.3</td>
</tr>
<tr>
<td>Annual social activities</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Rewarding outstanding employees</td>
<td>10</td>
<td>28.6</td>
</tr>
<tr>
<td>Reinforcing welfare associations</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Not answered</td>
<td>18</td>
<td>51.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.13(b) above, it can be observed that out of the 68.6% of those who had an idea on what social development entails, 28.6% argued that rewarding outstanding employees was the best way to encourage social capital development in banking organizations.
25. (a) Does social capital influence the bank’s performance?

Table 4.14(a): Influence of social capital on banks’ performance.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>24</td>
<td>68.6</td>
</tr>
<tr>
<td>No</td>
<td>11</td>
<td>31.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)

From the results shown on Table 4.14(a) above, 68.6% of the respondents said that social capital development had an influence on the bank’s performance while 31.4% of the respondents felt that it had no influence at all.

(b) How would you rate the relationship between social capital and the Bank’s performance?

Table 4.14(b): Relationship between social capital and performance.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Very strong</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Strong</td>
<td>17</td>
<td>48.57</td>
</tr>
<tr>
<td>No relationship</td>
<td>10</td>
<td>28.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.14(b) above, it can be noted that a total of 24 respondents (68.6%) felt that social capital development had a strong relationship with the banks performance owing that its people who run all banking activities and their development was taught to have a
positive impact on their performance.

27. Is your bank partnering with any other financial institution(s) in providing banking services?

Table 4.15: Strategic partnership.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>27</td>
<td>77.1</td>
</tr>
<tr>
<td>No</td>
<td>8</td>
<td>22.9</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)

Table 4.15 above shows that 77.1% of commercial banks are in partnership with other financial institutions in providing some banking services.

28. What form of partnership (if any) is your bank in?

Table 4.16: Forms of partnership.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint venture</td>
<td>13</td>
<td>37.1</td>
</tr>
<tr>
<td>Franchising</td>
<td>12</td>
<td>34.3</td>
</tr>
<tr>
<td>Direct investment</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Not answered</td>
<td>8</td>
<td>22.9</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)
From Table 4.16 above, it can be observed that joint ventures (37.1%) and franchising (34.3%) are the commonly adopted forms of partnership that commercial banks enter into.

29. What benefits accrue from strategic partnership?

Table 4.17: Benefits of strategic partnership.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Larger branch network</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td>Lower pricing</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>Faster customer access to funds</td>
<td>9</td>
<td>25.7</td>
</tr>
<tr>
<td>Not answered</td>
<td>8</td>
<td>22.9</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.17, above, it can be observed that larger branch networks, faster customer access to funds and lower product pricing are some of the benefits accruing from strategic partnership.

30. What constraints are experienced in banking partnership?

Table 4.18: Constraints of banking partnerships.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standards of service</td>
<td>20</td>
<td>57.1</td>
</tr>
<tr>
<td>Competition for same customers</td>
<td>6</td>
<td>17.1</td>
</tr>
<tr>
<td>Others</td>
<td>9</td>
<td>25.7</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>
From the findings shown on Table 4.18, most respondents (40%) felt that strategic partnership could interfere with standards of service delivery. 17% of the respondents cited competition for the same customers as a possible threat to banks in partnership.

Please tick (✓) the commonly used forecasting methods by your Department/company in predicting the bank’s future performance.

Table 4.19: Forecasting methods used by banks.

<table>
<thead>
<tr>
<th>Method</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expert opinion</td>
<td>14</td>
<td>40</td>
</tr>
<tr>
<td>Trend correlation</td>
<td>5</td>
<td>14.3</td>
</tr>
<tr>
<td>Cross-impact analysis</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Multiple scenarios</td>
<td>15</td>
<td>42.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.19 above, it can be observed that expert opinion and multiple scenarios were the commonly used forecasting methods.

34. (a) Rate the impact of the following variables on the bank’s performance.

Table 4.20(a): Impact of study variables on performance of commercial banks.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Frequency (N=35)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate social Responsibility</td>
<td>8</td>
<td>23</td>
</tr>
<tr>
<td>Strategic partnership</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>Social capital development</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>Customer/competitor profiling</td>
<td>12</td>
<td>34</td>
</tr>
</tbody>
</table>

Source: Author (2005)
Table 4.20(a) above shows that customer/competitor profiling has the greatest impact on performance of commercial banks.

(b) How do you rate the relationship between analysis of strategic issues in (a) above and the performance of your bank?

Table 4.20(b): Relationship between strategic issues analysis and performance.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very high</td>
<td>5</td>
<td>14.3</td>
</tr>
<tr>
<td>Average</td>
<td>9</td>
<td>25.7</td>
</tr>
<tr>
<td>High</td>
<td>20</td>
<td>57.1</td>
</tr>
<tr>
<td>Low</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.20(b) above, it can be noted that there is a significant relationship between analysis of strategic issues and the banks’ performance. 25 (71.4%) of the respondents felt that banks and any other organizations need to analyze strategic issues in their operating environment for purposes of awareness of business opportunities and threats and optimal utilization of the environments opportunities to maximize profits.
35. (a) Are there any international issues that affect the bank’s operations?

Table 4.21(a): Existence of international issues affecting the banking sector in Kenya.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>33</td>
<td>94.3</td>
</tr>
<tr>
<td>No</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.21(a) above, it can be noted that there are international issues that affect the banking industry in Kenya.

(b) If your answer is YES, please state the issues that have impacted positively or negatively on the banking industry in Kenya?

Table 4.21(b): Impact of international issues on the banking industry.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policies of some of the parent countries</td>
<td>12</td>
<td>34.3</td>
</tr>
<tr>
<td>Charges levied on cross-border funds transfers</td>
<td>4</td>
<td>11.4</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Unfavorable international banking</td>
<td>15</td>
<td>42.9</td>
</tr>
<tr>
<td>Not answered</td>
<td>2</td>
<td>5.71</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)
From Table 4.21(b), above, it can be observed that policies of some parent countries especially the private banks with international net work and charges levied on cross-border fund transfers as well as unfavorable international banking environment are some of the international issues that have impacted negatively on the banking industry in Kenya.

36. What measures would you recommend that if taken will improve the performance of the banking industry in Kenya?

Table 4.22: Ways of improving the banking industry.

<table>
<thead>
<tr>
<th>Measures</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Encourage electronic banking.</td>
<td>17</td>
<td>48.6</td>
</tr>
<tr>
<td>Control interest rates charged on borrowed funds</td>
<td>10</td>
<td>28.6</td>
</tr>
<tr>
<td>Law enforcement</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Flexible banking policies</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td>Waivers</td>
<td>3</td>
<td>8.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.22 above, it can be observed that embracing electronic banking, proper policies to control interest rates charged on borrowed funds, tax waiver on both local and international investors and flexible banking policies among other could be favorable measures to improve the performance of the banking industry in Kenya.
37. (a) Would you recommend creation of a strategist’s position in your bank?

Table 4.23(a): Number of respondents recommending creation of a strategist’s position.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>26</td>
<td>74.3</td>
</tr>
<tr>
<td>No</td>
<td>9</td>
<td>25.7</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)

From Table 4.23(a) above, 74.3% of the respondents recommended the creation of a strategist’s position in the bank’s structure while 25.7% felt that this position was inconsequential.

(b). If your answer to question 37(a) above is Yes, please outline the roles to be played by the above specialist to enhance the banks Performance

Table 4.23(b): Recommended roles of a strategist.

<table>
<thead>
<tr>
<th>Role</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy formulation</td>
<td>17</td>
<td>48.6</td>
</tr>
<tr>
<td>Change management</td>
<td>2</td>
<td>5.7</td>
</tr>
<tr>
<td>Monitoring and evaluation of the bank’s programmes</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Not answered</td>
<td>9</td>
<td>25.7</td>
</tr>
<tr>
<td>Total</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2005)
From Table 4.23(b), above, it can be noted that those who recommended the creation of a strategist’s position felt that this specialist be vested with the responsibilities of strategy formulation, monitoring and evaluation of the bank’s programmes and change management as well as advisory duties on the performance management.
CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

In this chapter, the major findings of the study are discussed and expounded.

5.1 DISCUSSION

The discussions of the findings from the present research are centered on the five (5) major research questions as follows:

Research question one: Do corporate social responsibility and social capital have any influence on the performance of commercial banks in Kenya?

From the results shown in Table 4.7 (a), 88.6% (31 banks) engage in social responsibility activities. Community based services are favorably sponsored by most commercial banks. There is a considerable revelation that these services earn commercial banks a repute thus enhancing their quest to seek their core business activities to the community where they draw a vast number of potential customers.

The most conspicuous social activities sponsored by commercial banks include; operation smile, junior achievement programmes and sports.

71.4% (25 managers) cited that there is a strong relationship between the bank’s involvement in social responsibility and its competitive advantage in the banking industry.

However, some managers felt that overindulgence in the corporate social responsibility could easily lead to the banks’ deviation in the pursuance of its strategic goals. Being profit maximizing institutions, the management should set and stick to policies regarding
its involvement in social responsibility activities to avoid jeopardizing the banks' core business operations.

On social capital development, the findings show that 31.4% of the respondents had no idea on what social capital development entailed and therefore, not very sure whether their respective banks embraced it. However, 48.6% of the respondents agreed that their banks encouraged social capital development.

Rewarding outstanding employees was cited as a common practice adopted by many banks in their quest to create and develop their human social capital. This is depicted in Table 4.13(b) with a 28.6% on rewarding outstanding employees as a favorite means over others such as internal merit promotion, stock ownership, involvement in social activities by employees and reinforcing employee associations with 14.3%, 2.9% and 2.9% respectively.

A large number of respondents 68.6% (24) asserted that social capital development has an influence on the banks' performance. This relationship was rated as strong (48.6%) while 28.6% of the respondents felt that it has no relationship whatsoever with the banks' performance.

To foster social capital development, most respondents suggested that banking institutions should improve on employee relations' management strategies. Involving employees in decision making especially those that directly impact on their welfare could greatly improve team spirit.
Research question two: Has electronic banking influence the performance of commercial banks in Kenya?

As depicted by the results in Table 4.10, all commercial banks operating in the Nairobi Central Business District (N.C.B.D) have embraced the use of technology in executing their transactions. The use of Automated Teller Machines (ATMs) is one of the e-banking products that are widely used as the findings show that 68.7% of commercial banks have ATMs in place. Other e-banking products utilized include electronic money transfers visa and credit cards.

74.3% (25 respondents) asserted that e-banking has increased their banks' market share. Though an expensive operation to undertake, the respondents felt that their benefit supersedes the cost incurred in their installations. Electronic banking has improved service delivery and most banks especially privately owned banks have penetrated large market niches by continuously embracing technological innovations.

However, sensitizing customers on how to utilize e-banking facilities and lack of Internet facilities were cited as the major challenges facing commercial banks in the utilization of e-banking as an opportunity.

The findings shown in Table 4.11 indicate that fraud in electronic money transfers and government regulations regarding the expansion of bank facility, too, have posed a significant challenge in the utilization of e-banking.

Generally, the respondents cited the reluctance of customers in embracing paperless banking as a major challenge especially in branches outside major towns in Kenya.
Research question three: What influence do strategic partners have on the performance of commercial banks?

From the findings shown on Table 4.15, 77.1% of commercial banks operating in the NCBD have strategic partnership relationships in providing banking services. Most of these partners are drawn from other financial institutions often having a direct link with customers. SACCOs have formed partnership with most commercial banks.

Joint ventures and franchising are the most commonly forms of partnership in place. Most respondents cited larger branch network, low pricing and faster customer access to funds as benefits accruing from strategic partnership. However, 57.1% of the respondents felt that maintenance of high standards of services by banks in partnership is hard to maintain because of different banking cultures.

Competition for the same customers as a result of banking service duplications was also cited as a constraint in partnership. Defining service level agreements and evaluation of potential partners before solemnizing a partnership was cited as a means to avert any negative impact on the banks' performance.

Strategic partnerships among financial institutions have proved profitable if the institutions in partnership prescribed to the laid service level agreements. Some local commercial banks especially those that are privately owned were found to have alliances with other commercial banks abroad. Most of the managers whose banks have alliance with parent banks in the western countries noted that such links have facilitated their operations across the border with minimal interference from legal bodies interested with cross border business.
However, the respondents argued that formation of sustainable alliances depends on the ability of manager to carefully analyze its strategic partners to ascertain important information about their competencies in service delivery. From the above observation, it can be concluded that strategic partnership is a slowly emerging issue in the banking industry that if properly embraced could impact positively on the performance of commercial banks in Kenya.

Research question four: What is the impact of customer and competitor profiling on the performance of commercial banks?

From the results shown in table 4.20(a), 34% (12) managers rated customer and competitor profiling as the most important activity that should be undertaken. Customer and competitor profiles help the bank management to establish the market segments dominated by their institutions so as to seek for the best practices that will satisfy customer needs. The results were consistent with Kotler’s findings on the need for customer and competitor profiling. From the findings, it is clear that by assessing its competitive position, a bank has a chance of designing business strategies that optimize its environmental opportunities.

On the other hand the results showed that assessment of consumer behaviour is a key element in satisfying bank customers. To achieve this objective the bank’s management develops customer profiles taking into consideration the geographic, demographic, psychographic and buyer behaviour aspects. This helps the management to predict and explain some aspects of customer behaviour with regard to choice of a service. Additionally, the respondents asserted that customer profiling improves the ability of the bank’s managers to plan for various operations to anticipate changes in size of markets
and reallocate resources so as to support forecast shifts in demand patterns as it was the case when most commercial banks in Kenya closed or merged their branches countrywide. Therefore, it can be observed that competitor/customer profiling improves the bank's performance when executed to the expected requirements.

**Research question five: Is there any relationship between strategic issues analysis and performance of the banking industry in Kenya?**

From the finding shown in table 4.20(b), it was observed that there is need for continuous analysis of strategic issues to establish their impact on the performance of commercial banks. 57% of the respondents felt that analysis of these issues was an imperative exercise that could help banks managers to be aware of the opportunities presented to the business by its environment and the best ways to utilize them. Therefore, for any financial organization to prosper and remain at a competitive edge analysis of its operating environment helps them to predict the future business environment changes and hence coming up with business strategies which will leap maximum benefits from this changes. These findings concur with Donald Harvey, (1988) who posited that organizations need to scan and analyze their business environments to avoid strategic surprises brought by environmental changes. From these findings, it is important for all commercial banks to take a strategic initiative in analyzing emerging issues in their operating environment in order to maximize the opportunities that are presented by the changing business environment.
Summary and Conclusion.

This study was designed to explore the influence of emerging strategic issues, that is, corporate social responsibility, social capital development, e-banking, strategic partnership/alliances, Customer and competitor profiling on the performance of organizations within the banking industry in Kenya. The findings show that:

(i) There is a strong relationship between strategic issues analysis and performance of commercial banks in Kenya.

(ii) Among the variables tested, e-banking customer and competitor profiling have a strong influence on the performance of commercial banks as compared to other strategic issues.

(iii) Privately owned banks have a significant command on the banking industry in Kenya.

(iv) A significant number (8.6%) and (91.4%) of commercial banks have either merged or closed some of their branches respectively in the past.

From the above findings, analysis of emerging strategic issues is an imperative process. Proper analysis enables managers of commercial banks to know their banks position in the industry and the necessary changes required to keep abreast with the dynamism in the business environment. More funds should be put into research on the emerging issues with a possible consideration to creation of a strategist’s position to pursue scanning of the business environment, redefining business strategies and monitoring them to ensure that the bank attains a sustainable competitive advantage in the industry.
5.3 Recommendations for further Research

1. There is an urgent need for research to explore the government policies and international issues on the banking industry that affect the performance of commercial banks and other financial institutions.

2. A comparative study could be carried out to fully establish why state owned commercial banks take a long time to respond to the changes in the business environment as opposed to privately owned commercial banks.

3. A study could be done to explore possible standard evaluation criteria of reporting bank performance other than use of financial statements.
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Vadim K. et el. Resource based theory

ventures.cm/business-guide/mgmt-strategic.

William H. Barnet et. el.: Strategic Management: Text and Concepts.
KENYATTA UNIVERSITY,
DEPARTMENT OF BUSINESS ADMINISTRATION,
P.O BOX 43844-00100,
NAIROBI.
KENYA

Dear respondent,

RE: ACADEMIC RESEARCH PROJECT.

I wish to bring to your attention the above subject in which I seek your assistance in obtaining the appropriate information.

I am conducting a research study on "Emerging strategic issues influencing performance of organizations within the banking industry in Kenya." On completion, the research report will be presented to Kenyatta University for examination. The information you will volunteer in the attached questionnaire will help the researcher come up with possible recommendations to enable the managers of business organizations to formulate and implement vibrant strategies to aid the firms remain strategically competitive in their industry.

The information provided will be treated with strict confidentiality for academic purposes only and will not be disclosed to any unauthorized persons.

Your assistance and cooperation will be highly appreciated.

Thanking you in advance for your time and willingness to participate in this academic endeavor.

Yours sincerely,

James Nyamosi.

MBA- Student.
Section A: This section consists of questions seeking your profile. Please fill where applicable.

**PERSONAL DATA**

1. **What are your official names?** (Optional) ________________________________

2. **What is your designation?** : _______________ Department: ____________

3. **What are your professional/academic qualifications?** Please tick (✓) appropriately:
   - Postgraduate ☐
   - Degree holder ☐
   - Diploma ☐
   - Certificate ☐

4. **For how long have you worked in your profession?** Tick (✓) appropriately:
   - Below 5 years ☐
   - 5 – 10 years ☐
   - 10 – 15 years ☐
   - Over 15 years ☐

5. **When did you join this institution?** __________________

Section B: This section consists of questions seeking information on your bank’s customers and competition components. Please tick (✓)/Explain where applicable.

6. (a) **How many branches does your bank operate currently in Kenya?** ______

   (b) Please tick (✓) the region(s) where the bank has its branches.

   - Nairobi ☐
   - Coast ☐
   - Eastern ☐
   - Western ☐
7. (a) How many branches are located in Nairobi?

(b) What factors are taken into consideration by your bank before opening a new branch?

8. Which of the following changes has your bank experienced in the past?

- Receivership
- Merging
- Closing some branches
- None
- Any other? (Specify)

9. Who are your potential customers?

10. (a) Are there any special market segments that your bank dominates?

- Yes
- No

(b) If your answer in (a) above is YES, what makes your bank win the loyalty of these segments?

11. How do the following factors influence customer behaviour in your bank?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Very Strong</th>
<th>Strong</th>
<th>Average</th>
<th>Low</th>
<th>No influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Bank charges</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Service reliability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Quality of Service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Interbank relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
12. (a) Does your bank offer any incentives to attract and retain its customers? Yes [ ] No [ ]

(b) If your answer in (a) above is YES, please mention some of these incentives in place?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

13. Please profile (rate) your bank’s competitiveness based on the following key Success factors:

<table>
<thead>
<tr>
<th>Success factors</th>
<th>Very strong</th>
<th>Strong</th>
<th>Average</th>
<th>Weak</th>
<th>Very weak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Price competitiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Facility location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calibre of personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technological innovations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

14. What type of strategies would you propose to be put in place to enable your bank attain market superiority in the banking industry?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________
Section C: Questions in this section seek information on the influence of Corporate Social Responsibility, E-banking, Strategic Partnership and Social Capital on the bank’s performance. Please tick (✓)/list/comment/explain as applicable.

15. (a) Does your bank engage in any social responsibility activities?

   Yes □ □ No □ □

(b) If your answer to question 1(a) above is YES, please list any three main social responsibility areas undertaken by your bank.

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

16. How would you rate the relationship of your bank’s involvement in social responsibility and its competitive advantage in the banking industry?

   Tick (✓) as appropriate

   Very strong □ Strong □ Average □ Low □ No relationship □

17. Please mention (if any) shortfall(s) of corporate social responsibility in the bank’s pursuance of its strategic goals.

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

18. Suggest ways to overcome the above cited corporate social responsibility.

____________________________________________________________________
19. Please tick (✓) the e-banking products/services utilized by your bank in executing core banking activities.

ATMs
Electronic money transfers
Credit cards
Others

20. How many of your branches utilize e-banking facilities?

21. How has e-banking influenced the bank’s market share? Please tick (✓) appropriately.

Increased bank’s market share
No change
 Decreased market share

22. What challenges are experienced by your bank while utilizing e-banking as an opportunity in the banking industry?

Lack of internet facility in most regions
Fraud in electronic money transfers
Sensitizing customers in utilizing e-banking facilities
Government regulations on the expansion of bank facility
26. **What areas in personnel would you recommend to be developed to foster social capital in your institution to maximize human capital output?**

27. **Is your bank partnering with any other financial institution(s) in providing banking services?**

   Yes [ ] No [ ]

28. **What form of partnership (if any) is your bank in?**

   (i) Joint venture [ ]
   (ii) Franchising [ ]
   (iii) Licensing [ ]
   (iv) Direct investment [ ]

   Any other? Specify ______________________

29. **What benefits accrue from strategic partnership?**

   ______________________________________
   ______________________________________
   ______________________________________

30. **What constraints are experienced in banking partnership?**

   ______________________________________
   ______________________________________
   ______________________________________
   ______________________________________

31. **How has your bank handled the above challenges (if any) to avert any negative impact on its performance?**

   ______________________________________
   ______________________________________
   ______________________________________
   ______________________________________
Section D: Questions in this section seek information on the role(s) of your department in analysing strategic issues as well as your views/recommendations and suggestions on national and international issues of significance in the banking industry. Please tick (√)/state/comment/explain as applicable.

32. What is your department's role in analyzing emerging strategic issues in the bank's competitive environment?

__________________________________________________________________________

__________________________________________________________________________

__________________________________________________________________________

33. Please tick (√) the commonly used forecasting methods by your department/company in predicting the bank's future performance.

(i) Expert opinion

(ii) Trend correlation

(iii) Cross-impact analysis

(iv) Multiple scenarios

(v) Any other?

__________________________________________________________________________

34. (a) Rate the impact of each of the following variables on the bank's performance.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Very Strong</th>
<th>Strong</th>
<th>Average</th>
<th>Low</th>
<th>No influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Social Responsibility</td>
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<tr>
<td>(ii) E-banking</td>
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<tr>
<td>(iii) Strategic Partnership</td>
<td></td>
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<td></td>
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<tr>
<td>(iv) Social Capital</td>
<td></td>
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<td></td>
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<tr>
<td>(v) Customer/Competitor Profiling</td>
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</tbody>
</table>
(b) How do you rate the relationship between analysis of strategic issues in (a) above and the performance of your bank?

Very high  [ ]  Average  [ ]  No relationship  [ ]

High  [ ]  Low  [ ]

35. (a) Are there any international issues that affect the bank’s operations?

Yes  [ ]  No  [ ]

(b) If your answer is YES, please state the issues that have impacted positively or negatively on the banking industry in Kenya?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

(c) What remedial measures have been taken by the Government of Kenya to minimize any losses as a result of the above issues in the banking industry?

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

36. What measures would you recommend that if taken will improve the performance of the banking industry in Kenya?
37. (a) Would you recommend creation of a strategist’s position in your bank?

Yes [ ] No [ ]

(b) If your answer to question 6(a) above is Yes, please outline the roles to be played by the above specialist to enhance the bank’s Performance.

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THANK YOU FOR YOUR COOPERATION!
## APPENDIX II

### RESEARCH TIMEFRAME

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</thead>
<tbody>
<tr>
<td>Research synopsis writing and submission</td>
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<tr>
<td>Consultations and proposal writing</td>
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<tr>
<td>Submission of a draft project proposal</td>
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<tr>
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<tr>
<td>Revision and writing a final project proposal</td>
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<tr>
<td>Piloting and data collection</td>
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<tr>
<td>Data analysis</td>
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<tr>
<td>Submission of a preliminary project report for examination</td>
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<tr>
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### RESEARCH BUDGET

<table>
<thead>
<tr>
<th>ITEM</th>
<th>COST (KSHS.)</th>
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</thead>
<tbody>
<tr>
<td>(a) Stationary</td>
<td>2,000</td>
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<tr>
<td>(b) Internet</td>
<td></td>
</tr>
<tr>
<td>• Browsing</td>
<td>1,500</td>
</tr>
<tr>
<td>• Downloading</td>
<td>4,000</td>
</tr>
<tr>
<td>(c) Typing and printing of project proposal</td>
<td>1,600</td>
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<tr>
<td>(d) Binding</td>
<td>300</td>
</tr>
<tr>
<td>(e) Questionnaire development</td>
<td>5,000</td>
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<tr>
<td>(f) Data collection and processing</td>
<td>12,000</td>
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<tr>
<td>(g) Traveling and subsistence</td>
<td>10,000</td>
</tr>
<tr>
<td>(h) Typing and printing of final project report</td>
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<tr>
<td>(i) Binding 6 copies of project report</td>
<td>5,000</td>
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<tr>
<td>(j) Research assistant</td>
<td>10,000</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>58,400</strong></td>
</tr>
</tbody>
</table>
TO WHOM IT MAY CONCERN:

Dear Sir/Madam,

RE: RESEARCH PROJECT: DATA COLLECTION - NYAMOSI JAMES REG. NO, D53/1781/02

This is to confirm that the above named is an M.BA student in the School of Business, Kenyatta University, and he is embarking on his project this semester before he completes his degree programme.

Any assistance you may accord him will be highly appreciated.

DR. G. CONGERA
CHAIRMAN, BUSINESS ADMINISTRATION DEPARTMENT