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**STRATEGIC RESPONSES OF KCB NYERI COUNTY BRANCHES IN THE FACE OF
CHANGING ENVIRONMENT**

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DEGREE IN BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT OPTION)**

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DECLARATION

I declare that this project report is my original work and has not been submitted to any other college, institution or university for the award of a degree.

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DEDICATION

To my father Shem Njiru, my sisters Carol and Grace, my brother Joseph and my nephew Trevor for their support and understanding as I wrote this project.

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My sincere appreciation goes to the Almighty God for his protection and guidance as I undertook this research. My appreciation further goes to my supervisor Ms. Anne Muchemi, of Kenyatta university school of business who gave me the direction and effort to make this project report successful. Not to forget my friends, colleagues and classmates for their support.

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LIST OF ABBREVIATIONS AND ACRONYMS

ATM -	Automated Teller Machine
GDP -	Gross Domestic Product
IT -	Information Technology
KCB -	Kenya Commercial Bank
SWOT -	Strengths, Weaknesses, Opportunities and Threats

DEFINITION OF TERMS

Asset base – The underlying assets giving value to a company or investment

Financial deregulation – Removing controls and rules that protected financial institutions

Inflation – A rise in the general level of prices of goods and services in an economy over a period of time.

Learning organization – An organization skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights

Market share - the portion of sales of a certain product controlled by a company

Marketing Mix - A planned mix of the controllable elements of a product's marketing plan

commonly termed as 4Ps. These are the combination of product, price, promotion and place (distribution)

Strategic flexibility – The ability to shift from one dominant strategy to another

ABSTRACT

With the increasing competition that companies are facing today, rewards will accrue to those who can read precisely what consumers want by continuously scanning the environment and delivering the greatest value to customers. Therefore, developing strategies for responding to changes that face the organization is vital to the adaptation of the changing business environment. The main purpose of this study was to investigate the strategic responses being used in Kenya Commercial bank to cope with the changing environment. Specifically, the study was conducted in Nyeri county branches. The variables for the study were research and development, restructuring, marketing mix and customer service. The target population was seventy employees in the Nyeri County branches. A census study was conducted. As at March 2012, there were four KCB branches in Nyeri County. For the purpose of collecting primary data the researcher used questionnaire. Data collected from respondents was both quantitative and qualitative in nature. Quantitative data was analyzed using descriptive statistics such as frequencies and mean scores. Qualitative data was analyzed using content analysis. The basis of using descriptive approach was to give a basis for determining the weights of the variables under the study. The findings were then presented using tables, pie charts, and bar graphs for easier interpretation. The study established that KCB had embraced a number of strategic responses in the face of changing external environment. The study found that majority of the respondents agreed that development of new products and expanding into new markets were some of the strategies the bank was using. The study further found that restructuring has been ongoing for the last three years with a view of enhancing service delivery, lower costs and increase customers' satisfaction levels. By effecting changes in the marketing mix elements the study found out that the bank was able to respond to emerging changes in the market. Giving excellent customer service is one key area the study found out the bank is very keen in implementing. This is enhanced by continuous staff training and taking customer satisfaction surveys and acting upon them. The study recommends that customer focus should be implemented more and incorporated in the organization's culture. It further recommends that the mandate of research and development section be expanded to cover marketing intelligence to unearth the strategies used by the competitors. The bank needs to establish more strategies and keep reviewing them often to have a sustained competitive advantage. The study recommends that further research may be done in other counties and even regions in which the banks operates to establish the strategic responses being employed by the bank in these areas.

1.0 INRODUCTION

1.1 Background of the Study

A strategy is a pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole (Porter, 1980). Strategic management is therefore concerned with deciding on a strategy and planning how the strategy is to be put into effect through strategic analysis, strategic choice, strategic implementation and control (Johnson & Scholes, 1993). The strategic management process allows an organization to take advantage of key environmental opportunities to minimize the impact of external threats, to capitalize upon internal strengths and overcome weakness. A large number of research studies have concluded that organization's that have adopted strategic management are likely to be more profitable and successful than those that do not (Fred, 1996).

Commercial banks, mutual savings banks, savings and loan associations, and credit unions comprise a group of financial services institutions, collectively called depository intermediaries (Auerbach, 1985). The product and service offerings these institutions have in common bind them into an industry grouping that is subject to similar influences. Major regulatory influences on these institutions such as the banking act and Central bank have over the years eased entry, location, and activity restrictions within the general financial services industry (Bush, 1987). According to banking experts (Auerbach, 1985; Gup and Whitehead, 1989), these Acts are responsible for allowing increased competition from nonbank suppliers of financial services (e.g, Mpesa and Airtel Money transfer services) as well as from contractual intermediaries (e.g., insurance companies).

Financial deregulation has taken place in the banking industry. This consists of removing controls and rules that in the past have protected financial institutions. This has led to improved performance of the industry (Berger and Humphrey 1997). There is no doubt that the deregulation process has helped in the ending of repressed banking systems and is most likely one of the major contributors to single market program (Dermine,2002). Furthermore, the wide liberalization and harmonization process have contributed in creating a business environment where operational efficiency and technology implementation play key roles in shaping banks' strategies. Hunter et al. (2000) identify three joint effects of deregulation and technology. First, the loosening of banking laws coupled with advantages of technology (in terms of potential

economies of scale and other efficiencies) has encouraged the consolidation process. Second, the introduction of new technologies in a deregulated context intensified competition and improved bank's ability to adjust prices and terms of financial products. Finally, the barriers between bank and non-bank financial institutions disappeared, allowing, for example, the rise of universal banking activity.

It has been suggested that in service industries of this type, where competition can move very quickly and new players can enter easily, there is a constant need to think strategically about what is going on (Schmenner, 1995). This appears to be precisely what banks, in particular, have begun to do in recent years. In response to increasing complexity and change in the financial services industry, banks have turned to strategic planning. The relatively new trend toward strategic planning in banks is viewed as a move designed not only to help them negotiate their environment more effectively, but to improve their financial performance as well (Bettinger, 1986; Bird, 1991; Prasad, 1984).

The environment has been considered as a central factor affecting banks with changes to the environment having important implications for organizational systems, structures, strategies and day-to-day activities. Shields (1997) and Scapens (1999) argue that changes in the environment cause changes within organizations, which in turn cause changes in management practices. Generally, organizations are expected to respond to environmental changes, since these changes have an impact on the survival of organizations (Cobb et al., 1995; Burns, 1998). Therefore, organizations should continually be aware of potential environmental changes, be capable of anticipating them in a timely manner (Burns and Scapens, 2000; Eccles, 1991) and respond appropriately by modifying their performance measurement systems (Eccles, 1991; Chow and Van der Stede, 2006). These influences are, however not straight forward and not yet entirely understood.

In recent years, banking has evolved into a higher standard providing better facilities of financial services to their customers. As the banking environment has changed, competition arises between banks racing against each other to the top and finding more ways to differ their image from others. However, when their responses are not accepted by their customers, this results in a fall in their services. There are significant ways in which poor customer service affects the

performance of a bank. One of the most common reactions to poor services is that customers switch banks. Poor services may actually drive customers out of the banking industry altogether. The bank's reputation and image can be damaged severely when it does not deliver the adequate level of customer service expected by its market. Improved service quality can affect profitability through improved image, increased sales of liability and asset products, and a significant lower reliance on price competition. It can affect the cost side as well where operations do not have to be repeated, and less employee time is spent in nonproductive corrective activities (Shields 1997).

1.1.1 The KCB Bank Group

The banking system in Kenya is fairly well developed and compares favorably with the banking systems in the developed nations. It is effectively regulated, comprising a central bank, a few large, financially stable banks and investment institutions, and a number of smaller banks including many foreign banks that have set up operations in Kenya. This large number of banks in the country has led to great changes in the banking environment hence the need for banks to respond to these changes with strategies that will give them an edge over the competitors (KCB, 2011).

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. As at December 2008 there were forty six banking and non bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus.

Kenya Commercial Bank (KCB) is a financial services provider headquartered in Nairobi, Kenya. As of December 2011, it was among the three largest commercial banks in Kenya with assets of more than US\$3 billion (KES: 251 billion), and shareholders capital valued at US\$486 million (KES: 40.9 billion). The other two large Kenyan commercial banks are Barclays Bank Kenya and Standard Chartered Bank Kenya. As of December 2010, KCB Group was the largest financial services group in East Africa, with an asset base valued at over US\$2.65 billion

(KES:223 billion). At that time, KCB Group had the widest network of banking outlets comprising nearly 220 branches and 400 Automated Teller Machines (ATMS) in Kenya, Rwanda, Southern Sudan, Tanzania and Uganda (KCB, 2011).

KCB is keen on maintaining its dominance in the East African region as the largest bank. It has done so by putting customer satisfaction as a key priority and rapidly expanding its network in all the East African countries; Uganda, Tanzania, Rwanda and Southern Sudan. It is also planning to expand to Burundi in the near future. In 2010 KCB merged with S & L to offer mortgage facilities to its customers. The mortgage division has done well and contributed to the impressive performance of the bank. The adoption of S& L into the core business of the bank was a strategic decision to take advantage of the market's growing appetite for home ownership. The bank recently launched a mortgage portal whose purpose is to provide up-to-date information on the regional mortgage scene as well as offer a firsthand market to developers and consumers alike seeking to purchase or offload property. KCB is always innovating and developing new ideas of how to deepen relationships with Kenyan and regional property players. The rapid rise of rural urban migration has seen the need for housing in urban areas rise and many housing firms have ventured into this lucrative business. However this being a capital intensive area, only firms with a solid capital base like KCB can survive hence the reason for the impressive performance of the division (KCB,2011).

In 2008 KCB upgraded its entire computerized banking system. It installed a more efficient and secure system called Temenos T24. The T24 system has seen the bank reap from its efficiency and better queue management. Previously KCB was characterized by long queues due to an outdated system. This saw the bank loose customers to competition and its market share also dropped to an alarming low level of 5%. This has however changed since the introduction of the new system. Queue management has improved and the bank has invested in restoring customer loyalty through offering excellent customer service and aggressive marketing. The system is also quite secure and has seen the bank do well in risk mitigation (KCB, 2011).

KCB is striving to maintain its dominance in the industry as the largest bank by product innovation, aggressive marketing and continuous offering of excellent customer service. The bank has launched aggressive campaign in all media houses to advertise its products, more so its

assets products. This has indeed yielded a lot as the bank's lending rate has improved. To improve its capital base, the bank held a third rights issue in July 2010 that raised Kshs 12 billion. This has boosted the bank's financial base and as a result of this the bank is able to lend in personal loans, business loans and mortgages. This also saw the government shareholding in the bank reduce from 23.6% to 17.74% (KCB, 2011).

1.1.2 KCB Branches in Nyeri County

Nyeri County is one of the counties in central Kenya. This county has fertile lands and agriculture is the main source of income for most residents of this county. The major agricultural activities in the county are tea, coffee and dairy farming. The county is well banked with about twelve banks which have branches in all the major towns in this county. These are Nyeri town, Karatina, Mukurweini and Othaya. Other financial institutions in the county are Micro Finance institutions and Saccos (KCB, 2011).

KCB is one of the dominant banks in this county and was the first bank to set base in the county. It has four branches in the county. These are; KCB Nyeri, KCB Karatina, KCB Mukurweini and KCB Othaya. These branches are strategically located in these towns and hold a sizeable market share in the county. They offer different types of products to residents of this county, some of which have been customized to meet the needs of this county. These are for example tea loans and accounts styled as Mavuno loan and Mavuno account and Dairy Herd improvement products. Through this market segmentation, the bank has ensured that it has continued to grow its market share in this county (KCB, 2011).

The bank has diversified its focus to mass market by coming up with products that target them. This is after realizing that a large majority of the Kenyan market comprise of middle and low income earners. In 2008 the bank introduced micro banking products that basically targets micro businesses by offering them short term loan facilities running up to one year. This has boosted the bank's income as the interest charged on these loans is higher due to the risk level involved in them and the fact that they are unsecured. The bank has also loan facilities for farmers that mainly target tea farmers, horticultural and coffee farmers. This has been very helpful to Nyeri county farmers since the county is mainly agricultural. This has led to farmer's perception of the bank changing as it is now focusing more on low income segment of the market (KCB, 2011).

1.2 Statement of the Problem

KCB is the largest bank group in Kenya in terms of branch network with over 220 branches and with a regional coverage. The bank is among the three largest banks with an asset base of over US\$2.65 billion. The bank is equally at the top in terms of profitability. Its profits have been consistently growing since the year 2006. In the year 2011, KCB was the most profitable bank in the country with a pre-tax profit of Ksh 15.1 billion (KCB, 2011). This is despite the changing environment facing the banking industry in Kenya today. The bank's assets have also grown every year despite some other banks struggling to survive in the market. The bank's customer base and market share has also grown consistently each year and this has in turn led to an increase in the overall performance of the bank. The branches in Nyeri County have equally been performing well contributing to the bottom line of the bank. This has been due to the strategic responses the branches have been employing to cope with the changing environment.

Competition has consistently increased over the years. This was caused by liberalization and deregulation of the industry. There has been an increase in the number of banks operating in Kenya as many foreign banks, especially from West Africa are setting base in Kenya. Competition is also being experienced from microfinance institutions that are growing into full-fledged deposit taking banks. Another challenge is the increased demand by a more enlightened customer segment that is specific in their demands and requires them to be met adequately. If their needs are not met in time, then they can always move to the competition. However despite the bank posting high profit margins, its profitability is not proportional to its asset base and branch network. Despite the bank having the largest branch network and asset base, its market share is low compared to other relatively smaller banks.

A number of studies have been done on strategic responses to changing environment. There has been a study done locally on Barclays Bank and many more studies done abroad. However the researcher has not come across a study done on the strategic responses being applied in KCB and specifically Nyeri County branches to cope with the changing environment. Therefore this study looked at the strategies that KCB branches in Nyeri County are employing to respond to the environment. This thus is the knowledge gap the study sought to fill.

This research therefore looked at the customer service approaches among other things that the bank is using to retain its customers despite the stiff competition and in general maintain high

performance in a turbulent environment. The study also sought to establish the extent to which those strategies have helped the bank cope with the challenges in the environment.

1.3 Objectives of the Study

The objectives of this study were;

1.3.1 General Objective

The general objective of the study was to establish the strategic responses of KCB Nyeri County branches in the face of changing external environment.

1.3.2 Specific objectives

The specific objectives of this study were;

- i. To determine the extent to which research and development has been used in KCB Nyeri County branches as a strategic response to the changing environment
- ii. To find out the effect of restructuring in helping KCB Nyeri County branches respond to the changing environment
- iii. To find out the extent to which marketing mix has been used in KCB Nyeri County branches as a strategic response to changing environment
- iv. To determine the extent to which customer service has been used in KCB Nyeri County branches as a strategic response to the changing environment

1.4 Research Questions

- i. To what extent is research and development used as a strategic response to changing environment in KCB Nyeri County branches?
- ii. How is restructuring helping KCB Nyeri County branches respond to the changing environment?
- iii. To what extent is marketing mix used as a strategic response to changing environment in KCB Nyeri County branches?
- iv. To what extent has customer service been used to respond to changing environment in KCB Nyeri County branches?

1.5 Significance of the Study

This study will be significant to a number of stake holders:

1.5.1 KCB Group

KCB will be able to know how the strategies that they have put in place have helped them cope with the changing external environment and how they can improve on them to achieve better results. It can also help them identify other strategies that they can use to respond to the environment in the future since the environment is turbulent and tomorrow's environment may require a different set of strategies than the ones being used today.

1.5.2 Customers

Customers will be able to establish the efforts the bank is making to provide it with better products and services through improved customer service and innovation. From this study, customers will get to know the extent to which the bank is focused on customer orientation and whether they should continue being royal customers to the bank.

1.5.3 Future Researchers

The research will provide valuable information regarding strategic responses being employed by the banking industry and specifically KCB to cope with the changing environment. Since no adequate study has been done in regard to how KCB responds to the changing environment, this study will contribute to the general body of knowledge and form a basis for further research.

1.5.4 Banking industry in Kenya

This study will be useful to the banking industry as it will give guidelines of what strategies banks can use to cope with the changing environment. It will help them in establishing the strategies that will have most effect and how to apply those strategies.

1.5.6 The general population in Kenya

Kenyans have a perception that banks steal from them by overcharging them for their services hence the reason why they continue recording high profit margins while other industries record decline in profits due to high inflation. Therefore by understanding the strategies that the bank is using, they will know that the banks do a lot of strategic planning and follow these strategies to achieve their goals.

1.6 Limitations of the Study

This study had the following limitation.

1.6.1 Non co-operative respondents

This study was conducted in a bank and there were none co-operative respondents because most information in the bank is regarded as confidential and employees should not disclose it to anyone. This limitation was overcome by the researcher having an introductory letter that specifically stated that the research was for academic purposes. The respondents, who are very busy people, may not have time to respond to the questionnaire. This was overcome by structuring the questionnaire in a simple way that enabled the respondents to answer in a short time.

1.7 Scope of the study

This study was conducted in KCB Nyeri County branches. KCB is the largest bank in Kenya in terms of asset capitalization and branch network yet until the year 2011 it has not been the most profitable bank. KCB is also unique in that it is a local bank competing among big multinational banks like Barclays and the Standard chartered banks. KCB is the first local bank to go regionally with subsidiaries in Uganda, Tanzania, Rwanda, Southern-Sudan and recently Burundi. KCB is also the leader in mortgage business in Kenya and the East Africa region.

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter provides a review of the extant literature on the banking environment, responses to the changing environment and ability for KCB to make gains from the environment. The chapter's objective is to present a logical sequence of this study's research questions. It presents the concept of strategic response, past studies in the subject area indicating the international and the local perspective. It captures the critical review on theories that have been studied by other researchers. From the literature review the researcher will be able to come up with a conceptual framework of the study.

2.2 Strategy

(Henry Mintzberg, 1994) defines strategy in four common ways. These are, strategy is a plan. A means of getting from one point to another, secondly a strategy is a pattern in actions over time. Thirdly strategy is a pattern; that is, it reflects decisions to offer particular products or services in particular markets. Lastly, strategy is a perspective, that is, vision and direction. Mintzberg argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and actions defines what Mintzberg called realized or emergent strategy.

Strategy is thus the bridge between policy or high-order goals on the one hand and tactics or concrete actions on the other. Strategy and tactics together straddle the gap between ends and means. In short, strategy is a term that refers to a complex web of thoughts, ideas, insights, experiences, goals, expertise, memories, perceptions, and expectations that provides general guidance for specific actions in pursuit of particular ends. Strategy is at once the course we chart, the journey we imagine and, at the same time, it is the course we steer, the trip we actually make. Even when we are embarking on a voyage of discovery, with no particular destination in mind, the voyage has a purpose, an outcome, and an end to be kept in view (Henry, 1994).

2.3 Historical Development of the Strategic Management Concept

Since its first mention in the Old Testament, the concept of strategy has been largely a semantic issue. Numerous authors have focused their attention on the concept of strategy but have failed to comprehensively investigate its historical evolution. The underlying principles of strategy were discussed by early writers. The word strategy comes from the Greek strategos, a general, which in turn comes from roots meaning army and lead. The Greek verb stratego means to plan the destruction of one's enemies through effective use of resources. The concept of strategy in a military or political context has remained prominent throughout history.

The need for a concept of strategy related to business became greater after World War II, as business moved from a relatively stable environment into a more rapidly changing and competitive environment. Ansoff (1969) has attributed this change in environment to two significant factors. These are the marked acceleration in the rate of change within firms, and the accelerated application of science and technology to the process of management. The accelerated rate of change put a premium on the ability to anticipate change, to take advantage of new opportunities, and to take timely action in avoiding threats to the firm. New technologies spurred interests in and acceptance of analytic and explicit approaches to decision making that increased management's ability to deal with the increasingly uncertain future.

The first modern writers to relate to the concept of strategy to business were Von Neumann and Morgenstern (1947), with their theory of games. Numerous other authors have developed concepts of business strategy in the past thirty years. A comparison of these modern authors' concepts has been presented by Hofer and Schendel (1978). They found that among the authors, there was major disagreement in three primary areas. These are the breadth of the concept of business strategy, the components, if any, of strategy, and the inclusiveness of the strategy formulation process. Hofer and Schendel's comparison failed to discuss the commonalities in the concept of business strategy, however. Strategic management is the direct organizational application of the concepts of business strategy that have been developed in the academic realm. That is, strategic management entails the analysis of internal and external environments of a firm to maximize the utilization of resources in relation to objectives. This statement can be considered as a macro definition of the concept of business strategy, or strategic management.

The major importance to strategic management is that it gives organizations a framework for developing abilities for anticipating and coping with change. It also helps to develop the ability to deal with uncertain future by defining a procedure for accomplishing goals (Henry, 1994).

2.4 Concept of Strategic response

Strategic management has now evolved to the point that its primary value is to help the organization operate successfully in dynamic, complex environment. To be competitive in dynamic environment, corporations have to become less bureaucratic and more flexible. In stable environments such as those that have existed in the past, a competitive strategy simply involved defining a competitive position and then defending it. Because it takes less and less time for one product or technology to replace another, companies are finding that there are no such thing as competitive advantage (Mansfield, 1996).

Corporations must develop strategic flexibility: the ability to shift from one dominant strategy to another. Strategic flexibility demands a long term commitment to the development and nurturing of critical resources. It also demands that the company become a learning organization: an organization skilled at creating, acquiring, and transferring knowledge and at modifying its behavior to reflect new knowledge and insights. Learning organizations avoid stability through continuous self-examinations and experimentations. People at all levels, not just top the management, need to be involved in strategic management: scanning the environment for critical information, suggesting changes to strategies and programs to take advantage of environmental shifts, and working with others to continuously improve work methods, procedures and evaluation techniques(Sull, 2009).

2.4.1 Strategic Adaptation to Environmental Turbulence and Radical Institutional Change

Adapting to environmental shocks is a capability all businesses have to develop in order to survive. Environmental shocks, or jolts, reshape the opportunities and threats the firm faces and are likely to render existing business strategies ineffective (Meyer et al. 1990). Different types of environmental shock can occur with which businesses have to cope; such shocks change the level of environmental munificence, the level of resources available in a particular environment. Recession, an environment of falling GDP, is one type of shock. Much strategy literature is

concerned with strategic change in circumstances of environmental jolts, turbulence, radical institutional change, industry deregulation or hyper-competition. Although this literature does not always relate specifically to recession, certain themes may be relevant. Grewal and Tansuhaj (2001), for instance, show that strategic flexibility, the ability to respond quickly to changing competitive conditions (Hitt, et al., 1998) has a positive influence on business performance after a crisis. Others suggest that discontinuous change within an industry stimulates the formation of inter-organizational relationships, promotes experimentation with new organizational forms and precipitates affiliations spanning industry boundaries (Meyer, 1982). Inter-organizational networks absorb uncertainty arising from revolutionary change. Dixon et al. (forthcoming) discuss the dynamic capabilities required to survive and succeed in a transition economy – namely, the interactions between exploitation learning (learning to do things better) and deployment capabilities within the organization, and the interactions between exploration learning (creation, experimentation) and the search and selection capabilities required to manage innovation routines.

2.4.2 Strategic Positioning and Dynamic Capabilities

Porter's (1980) strategic positioning model builds upon the assumption that five forces determine industry attractiveness, i.e., the potential to earn rents. Three forces represent the “horizontal” competitive relationships, namely the rivalry among competing firms, the threat of new entrants and the threat of substitutes. Two other forces reflect the firm's “vertical” linkages with external actors, namely buyer and supplier power. An interesting characteristic of the five forces model is that industry structure, at least when used for strategy prescription at the firm level, is viewed as partly endogenous. This means that there is a reciprocal relationship between industry structure and firm behaviour. Entry barriers do not just result from a given industry structure but may be induced or challenged by firms. In this context, the five forces could be seen as the “opportunities-threats” component in a conventional SWOT-analysis (strengths, weaknesses, opportunities and threats).

In contrast, the resource-based view focuses on the “strengths-weaknesses” component of SWOT analysis. It does this by identifying valuable (as perceived by customers), non-substitutable, non-imitable, firm-level competences as the basis of superior performance, Penrose (1959), Rumelt (1984), Barney (1991), and Conner (1991). A resource-based perspective has sometimes

also been adopted for purposes of industry-analysis. Industry capabilities are defined as resources that are shared by incumbents but are not available to outsiders. These include trust relations, and specific ways of diffusing and sharing technological knowledge, Foss (1997). An integrative perspective has recently been introduced, Foss and Eriksen (1995), Teece, Pisano and Shuen (1997) and Teece and Pisano (1998). In this, dynamic capabilities (at least implicitly) reflect the firm's ability to respond effectively, on the basis of its internal strengths/weaknesses, to external opportunities/threats. These dynamic capabilities include special company strengths to cope with the shifting character of the environment. More specifically, this approach focuses on the key role of strategic management in appropriately adapting, integrating and re-configuring company strengths towards changing environments, (Teece and Pisano, 1998).

Such a Schumpeter-type perspective focuses explicitly on the renewal of competencies and, implicitly, on the achievement of first mover advantages, because the time dimension is critical. Difficult replication by other firms permits a stream of rents to be sustained for a longer time. It is important to recognise that specific, firm level responses to external changes are influenced by path dependencies (e.g., long-term, quasi-irreversible resource commitments). The development of a dynamic capability by a firm therefore needs to build incrementally upon existing internal processes. Here, external forces must be taken into account, but these result themselves from paths along which the firm has travelled in the past. Bearing this in mind, it would appear that Porter's original five forces model can, at best, be only a partial analytical tool to aid in strategy development at the firm level (Barney, 1991).

2.5 The Macro Environment of Business

Macro environment is largely external to the business enterprise. Macro environment factors are uncontrollable factors and beyond the direct influence and control of the organization. Its factors are powerfully influence to its functions. External environment consists of individuals, groups, agencies, organizations, events, conditions and forces. These are frequently contacted by the organization for its functions. It establishes good interaction and interdependent relations in form of conducts business transitions. Proper designing and administration of macro environment enable appropriate strategies and policies to cope with and make changes. The various external environments facing the business according to (Kotler 2004) are;

2.5.1 Demographics

The demographic environment itself is affected by changes in the mix of age groups in the population. If the population becomes older, this will lead to rising demand for products and services consumed by older people and a similar fall in demand for products consumed by younger people. The development of ethnic markets can also be relevant. In a number of countries, the ethnic mix of consumers is changing due to immigration and other factors. This will be reflected in changing demands for various goods, not only from the specific ethnic group but from other consumers whose tastes have been affected by them. Furthermore, as ethnic groups immigrate to other countries, their own tastes can affect those of consumers in the host nation. The demographic environment is also affected by the level of education in a country, since changes in education have an impact on the wealth of a nation and the tastes of its people (Kotler 2004).

The lifestyles of a population also have an impact on the macro environment facing marketers. In Western countries there has been a growth in households made up of single people; and a large proportion of women now go out to work. This has resulted in an increase in the sales of convenience foods. There is also a greater proportion of couples whose children have grown up and left home. Such couples have more disposable income to spend on luxuries, holidays and home improvements (Kotler 2004).

2.5.2 Economics

The economic environment is important to marketers because it affects the amount of money people have to spend on products and services. One of the components of the economic environment is the distribution of income. Economies around the world not only vary in their absolute or total level of wealth but also in how their wealth is spread within the population. For example, poor countries may be classified either as those which have a highly unequal spread of wealth or those where it is more evenly shared. The former group of countries may be markets for luxury goods, despite the level of poverty. In contrast, the second type of country may be more attractive to marketers of inexpensive goods for the mass market (Kotler 2004).

Consumers around the world differ in the extent to which they save money and the use they make of credit facilities. A high propensity to save will result in a lower propensity to consume. However, these patterns will also have a secondary effect on the overall macro economy of a nation. A country where people have a high propensity to save is likely to be characterized by low interest rates, which will affect industry's borrowing costs (Kotler 2004).

2.5.3 Technology

Technological developments offer marketers both opportunities and threats. Although firms can offer customers a wider array of advanced products, changes in technology also mean that there may be more than one technical solution to a customer's needs. Where a market converges towards one technological standard, there can be problems for marketers who have promoted an alternative standard (Kotler, 2004).

Increased technological development accelerates the speed of obsolescence. Marketers have to consider how their product may need to be developed over time, if it is to remain competitive. Technological developments affect how people work and do business. For example, the falling cost of telecommunications coupled with their increased sophistication has meant that it is possible for individuals to work away from the office. In the future this could lead to lower usage of transportation systems. Furthermore, the falling cost of technology has meant that many more small firms can function in areas such as publishing and film production, which used to be the domain of large organizations. In a number of countries this has resulted in the establishment of small firms in these areas (Kotler, 2004).

The risks from technological changes have meant that firms are increasingly entering into 'strategic alliances' with customers, suppliers and even competitors. Indeed, there has been an increasing emphasis on open, long term relationships, based on trust between customers and suppliers. This is expected to help in the development of products and the management of technological risks (Kotler 2004).

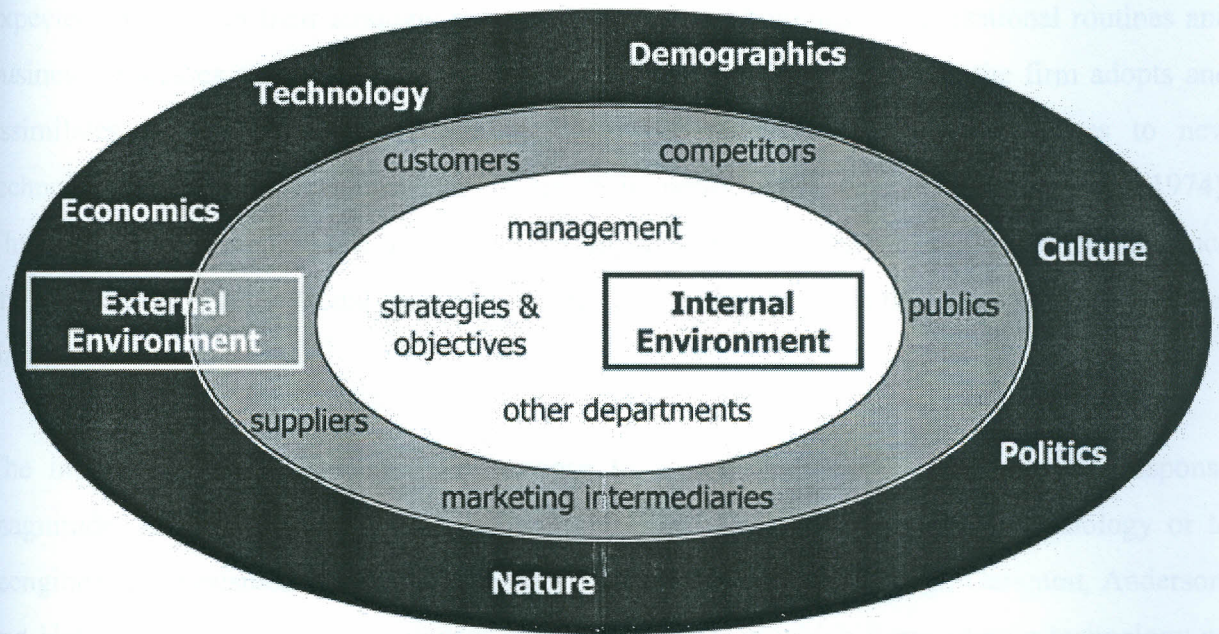
2.5.4 Politics

Marketers are influenced by the regulatory environment. This has implications for their obligations to customers and the wider public. Customers are increasingly able to seek redress for faulty products, and those who live near manufacturing plants are able to claim compensation for pollution. The political environment around the world has recently favored the privatization of public companies. Such companies have also been able to compete more freely in the private sector. Political changes in Eastern Europe have also meant that these markets are now open to marketers from around the world (Kotler 2004).

2.5.5 Culture

People's opinions and tastes are shaped by the society in which they live. It should be noted that societies are not made up of homogeneous populations. They contain sub-cultures, which are beliefs and values shared by smaller groups of people. Such groups may arise out of a common race, religion, social activity or hobby. Sub-cultures are important to marketers insofar as they may have different consumption habits from the rest of the population. The following are some aspects of culture that influence people's consumption: the 'core' culture is that set of values handed down from generation to generation and which is reinforced by social institutions such as schools and places of worship. Core values are likely to be strongly held and it may be difficult for marketers to promote a message that runs counter to them. More susceptible to change are secondary values. People's opinions are influenced by the media, role models and changing tastes (Kotler 2004).

Figure 2.1 Macro and Micro Environment



Source (Kotler, 2004)

2.6 Strategic Responses to New Technologies, Research and Development and Their Impact on Firm Performance

As new technologies become ubiquitous, firms must adopt and assimilate them to gain and sustain competitive advantage (e.g., Abernathy and Utterback 1978; Tushman and Anderson 1986). Recent examples such as the adoptions of biotechnology by pharmaceutical firms, semiconductors by machine tools firms, video banking by commercial banks (Pennings and Harianto 1992), and information technology (IT) by a diverse set of firms such as small office professionals (Kim, Han, and Srivastava 2002) and market makers (Grewal, Comer, and Mehta 2001) illustrate the importance of this organizational phenomenon. Although the literature has focused on strategic responses to competitive threats (Heil and Robertson 1991), theoretical developments and empirical investigations of strategic responses to new technologies have been lacking.

As a result of inherent differences in organizational routines (Nelson and Winter 1982), business processes (Srivastava, Shervani, and Fahey 1999), and resources (Wernerfelt 1984), firms are expected to differ in their strategic responses to new technologies. Organizational routines and business processes are likely to determine the efficacy of resources while the firm adopts and assimilates new technologies. Therefore, firm differences in strategic responses to new technologies and firm resources should result in performance heterogeneity (Rumelt 1974). Thus, it becomes important to understand the impact of strategic responses on firm performance and the role of organizational resources in the relationship between the strategic responses and firm performance.

The intensity of the organizational response to a new technology represents the response magnitude. At the extremes, firms may decide either not to adopt the new technology or to reengineer their business processes to assimilate the new technology (e.g., Gatignon, Anderson, and Helsen 1989). Midrange responses are also possible, in which firms adopt a technology on an experimental basis. In addition to the intensity of response, firms may differ in the business process (response domain) that they decide to alter to adopt the new technology (Srivastava, Shervani, and Fahey 1999). For example, one firm may use advances in communications technology to revamp its logistics activities; another may use the same technology to streamline customer relationship management (CRM). Finally, the speed with which firms adopt the new technology may vary across firms, and timely responses should enable them to gain early-mover advantages (e.g., Lieberman and Montgomery 1988). By combining these three dimensions, we capture a firm's strategic response.

Firms are likely to use their resources to implement their strategic responses to new technologies. Resources include both tangible and intangible organizational assets, such as managerial skills and know-how, organizational processes and routines, market-based assets, human assets, and financial assets such as cash (e.g., Hunt and Morgan 1995; Srivastava, Shervani, and Fahey 1998), that are valuable, rare, inimitable, and non-substitutable (Barney 1991). Resources are the products of a firm's history and the outcomes of its prior strategic actions (Barney 2001). The endowments of such resources affect a firm's competitive position and its ability to generate

economic rents (Rumelt 1974). We suggest that resources help determine the efficacy of strategic responses to new technologies.

2.6.1 Technological Innovation

Technology plays a key role in the performance of banks. Large banks in Kenya spend a large portion of non-interest expense on information technology, and this investment shows no signs of abating. Even with these large investments, it is still difficult to ascertain the payoffs associated with these projects. In manufacturing, studies (Brynjolfsson and Hitt 1993; Lichtenberg 1995) have found large payoffs in information technology (IT) investments, both in terms of equipment and personnel.

Technological innovation in the retail banking industry has been spurred on by the forces described by Kotler (2004), particularly in terms of new distribution channel systems, such as PC banking. As the industry has provided more ways for consumers to access their accounts, they have added significant costs to each institution. A need to combat these costs resulted in a major cost savings period, where many banks successfully got much of the cost out of the back office. These cost savings came largely through back office automation, which is a technological innovation that has recently been completed. Now, after adding significant costs through added distribution channels and cutting as much as possible in the back office, banks have realized that the key to profitability is through revenue enhancement.

Banks are now forced to consider new ways to drive revenue through their distribution system. The most common way to classify this is through the drive to increase the customer share of wallet. The share of wallet is the portion of a customer's entire financial relationship that any particular bank has with the customer. The prevailing hypothesis is that the more products that a customer has with the bank, the cheaper it is to serve them per product, and the more difficult it would be for the customer to switch to another bank.

2.7 Corporate Restructuring

Corporate restructuring is the process of redesigning one or more aspects of a company. The process of reorganizing a company may be implemented due to a number of different factors,

such as positioning the company to be more competitive, survive a currently adverse economic climate, or poise the corporation to move in an entirely new direction. Restructuring a corporate entity is often a necessity when the company has grown to the point that the original structure can no longer efficiently manage the output and general interests of the company. For example, a corporate restructuring may call for spinning off some departments into subsidiaries as a means of creating a more effective management model as well as taking advantage of tax breaks that would allow the corporation to divert more revenue to the production process. In this scenario, the restructuring is seen as a positive sign of growth of the company and is often welcome by those who wish to see the corporation gain a larger market share (Pathak, 2009).

However, financial restructuring may take place in response to a drop in sales, due to a sluggish economy or temporary concerns about the economy in general. When this happens, the corporation may need to reorder finances as a means of keeping the company operational through this rough time. Costs may be cut by combining divisions or departments, reassigning responsibilities and eliminating personnel, or scaling back production at various facilities owned by the company. With this type of corporate restructuring, the focus is on survival in a difficult market rather than on expanding the company to meet growing consumer demand. Corporate restructuring may take place as a result of the acquisition of the company by new owners. The acquisition may be in the form of a leveraged buyout, a hostile takeover, or a merger of some type that keeps the company intact as a subsidiary of the controlling corporation. When the restructuring is due to a hostile takeover, corporate raiders often implement a dismantling of the company, selling off properties and other assets in order to make a profit from the buyout. What remains after this restructuring may be a smaller entity that can continue to function, albeit not at the level possible before the takeover took place (Pathak, 2009).

2.7.1 Role of Organizational Restructuring

Corporate restructuring is broadly used to denote significant changes in the structural components of organizations through conscious management action. Bowman and Singh (1990, 1993) postulated that restructuring is aimed at achieving personal, financial, strategic and/or operational objectives and categorized corporate restructuring into portfolio restructuring, financial restructuring and organizational restructuring while Venkiteswaran (1997)

differentiates restructuring into external (Asset-based/portfolio restructuring, financial/capital restructuring and changes in ownership structure) and internal (closure/sale for cost reduction and management/organizational restructuring). Portfolio restructuring involves changes in the configuration of businesses in which a firm is operating in through acquisitions and/or divestiture, financial restructuring include debt-equity changes, ownership changes like leveraged buyouts and management buyouts whereas organizational restructuring denotes changes in the organizational structure for increasing the efficiency and effectiveness.

Research findings (Bowman and Singh, 1999; Markides and Singh, 1997; Bowman and Singh, 1993, 1999; Khandwalla, 2001) converge on the phenomenon of building sustainable organizations through organizational restructuring. Organizational restructuring could be by way of changing the vision of the future, changing the corporate culture, changing the management style, changing managerial mistakes by changing competitive strategies or human resource strategies.

2.7.2 Changes in Organization of work due to restructuring

The emergence of new set of service strategies in the banking industry has required changes in work organization. Traditionally, retail banking jobs have been highly specialized and vertically organized (Keltner & Finegold, 1996). In the current competitive environment, two trends are occurring, often within the same organization, which may have opposite effects on job quality.

One trend is a significant increase in quality service, which potentially calls for an increase in skills and product knowledge throughout the branch organization. In the relationship banking approach, branches are used as the focal point for the selling of a wide range of financial services by knowledgeable bankers who sell different products to repeat customers. The shift is from an assembly-line model to a “case management” model – the customer is provided with complete, efficient service, by a single, broadly-skilled employee (Davenport & Nohria, 1994). New technology has made possible a strong information infrastructure, giving these bankers quick access to all product and customer information.⁸ One study has found that the use of sales supporting software in bank branches (“informating” technology) is associated with higher wages (Hunter & Lafkas, 1998).

The other trend, cutting costs through the transaction approach, relies on technology to simplify and speed up work, and often replace human labor altogether. New technology is accompanied by more use of contingent employment, low training expenditures, increased external recruiting for high-skill positions, and lack of employment security as a loyalty incentive. In the past, tedious and time-consuming tasks were performed by a range of specialized positions. The traditional teller hierarchy has been flattened in many organizations, and tellers now perform an expanded set of computer-facilitated tasks. Back-office tasks and jobs have been reduced and consolidated, enabled by centralized computer networking. Researchers have found that technology that primarily automates branch banking work, combined with reduced employee discretion, is associated with lower wages (Hunter & Lafkas, 1998).

2.8 Concept of Marketing Mix

The marketing mix refers to variables that a marketing manager can control to influence a brand's sales or market share. Traditionally, these variables are summarized as the four Ps of marketing: product, price, promotion, and place i.e., distribution (McCarthy, 1996). Product refers to aspects such as the firm's portfolio of products, the newness of those products, their differentiation from competitors, or their superiority to rivals' products in terms of quality. Promotion refers to advertising, detailing, or informative sales promotions such as features and displays. Price refers to the product's list price or any incentive sales promotion such as quantity discounts, temporary price cuts, or deals. Place refers to delivery of the product measured by variables such as distribution, availability, and shelf space.

2.8.1 Marketing Mix and the Four Ps

Marketing the way most textbooks treat it today was introduced around 1960. The concept of the marketing mix and the Four Ps of marketing – product, price, place and promotion – entered the marketing textbooks at that time. Quickly they also became treated as the unchallenged basic model of marketing, so totally overpowering previous models and approaches, such as, for example, the organic functionalist approach advocated by Wroe Alderson (2001) as well as other systems-oriented approaches and parameter theory developed by the Copenhagen School in Europe that these are hardly remembered, even with a footnote in most textbooks of today.

Earlier approaches, such as the commodity, functional, geography-related regional and institutional.

2.9 Effect of Customer Service on Strategic Response

Customer service is not merely customer relations or how nice frontline workers are to customers. Rather, satisfying or even delighting customers is the goal of excellent customer service. Because customers for different types of services have different needs, customer service strategies will differ and must be tailored to the target customer (Spector, 2001).

2.9.1 Service Integrity

Service is about how your organization interacts with the outside world. Quite often, the service is the strategy. Integrity exists when your organization does what it sets out to do. Integrity is execution. Service Integrity helps organizations to measure whether organizational strategies are being implemented at the point of customer contact. The service integrity programs by many organizations evaluate their stores, branches, call centers, or even website in delivering customer satisfaction. From the beginning of the customer service revolution almost 20 years ago, a body of business research has focused on customer satisfaction and customer-focused organizations (Lin, 2003).

Business consultants, corporations and others have worked to identify the characteristics of organizations that consistently please their customers, to develop tools for monitoring customer satisfaction, and to build continuous, quality improvement systems that respond to consumer feedback. Although much of the research has been conducted by and for the corporate world, customer service and satisfaction is not limited to the private sector. Publicly funded organizations that are incorporating practices developed in the business world provide a growing body of experience and study. Increasingly, federal, state and local government agencies are attempting to gauge their performance and the effect on those they directly serve. Throughout the public sector, initiatives to reinvent government including education reform, privatization, and managed care have elevated customer service and satisfaction to new priorities (Lin, 2003).

2.9.3 Customer Satisfaction

The definition of customer satisfaction has been widely debated as organizations increasingly attempt to measure it. Customer satisfaction can be experienced in a variety of situations and connected to both goods and services. It is a highly personal assessment that is greatly affected by customer expectations. Satisfaction also is based on the customer's experience of both contact with the organization. Satisfaction construct has gained an important role in the marketing literature (Lin, 2003). To be competitive and survive, firms need to produce products & services of very good quality that yield highly satisfied customers (Bhatnagar and Millen, 1999). Satisfaction is used as a common marketing benchmark of an organization's performance (Hart, 1988). Maintaining customer satisfaction is the key to retaining customers and profitability (Haithen and Jean, 2009).

Customer satisfaction has become a paramount factor (Hart, 1988). Important tool to create and maintain loyal customers (Joseph and Thomas, 2000). Satisfied customers contribute towards high repeated purchases (Robert and Gary, 2007). Therefore, we can conclude that customer satisfaction is vital factor in achieving organizational goals and is a vital strategy for any organization in responding to changes in the environment.

2.9.3 The Concepts underlying effective Customer Service Strategies

The public and private sector customer service literature concurs on the process for delivering great customer service, even if outcomes differ. The current literature supports an outside-in strategy of customer service, rather than the traditional inside-out model for providing services (Thompson, 2000). In the private sector, profit and growth are the outcomes, not goals. Profit and growth are generated by customer loyalty. Loyalty is generated by customer satisfaction. Customer satisfaction is the goal that companies should seek and focus on, because high customer satisfaction, as a matter of course, produces customer loyalty and subsequently profit and growth. At this point, the public and private sectors converge—customer satisfaction is the goal.

Customer satisfaction is achieved by providing valued services and products, where value is the positive difference between customers' actual experiences and their service delivery

expectations. Productive employees also create value. Employee productivity stems from employee loyalty, and loyalty is a product of employee satisfaction. Satisfaction is generated by high-quality support services (people, information, and technology) and by being empowered to provide value and resolve customer complaints. This customer service culture must be supported by leadership that emphasizes the importance of each customer and employee. These leaders must be creative and energetic (not lofty or conservative), participatory and caring (not removed or elitist), that is, one who can be a coach, teacher, or listener (not just a supervisor or manager). Such a leader demonstrates company values (rather than simply institutionalizing policies) and motivates by mission (rather than by fear) (Heskett, 1997).

Some components of this model are cyclical. A 1991 study of property and casualty insurance companies found that employees who felt that they were meeting customer needs had twice the job satisfaction level of employees who did not believe they were meeting customer needs. In that study, when a frontline service worker left the company, customer satisfaction levels dropped from 75 to 55 percent (Harvard Business Review, 1994, p 239).

2.10 Summary of Literature Review

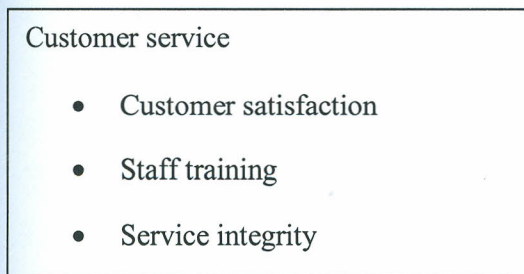
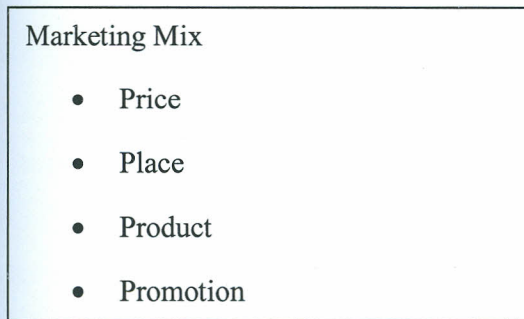
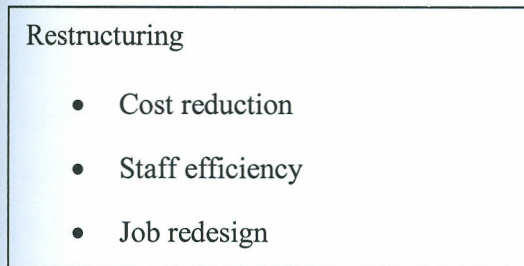
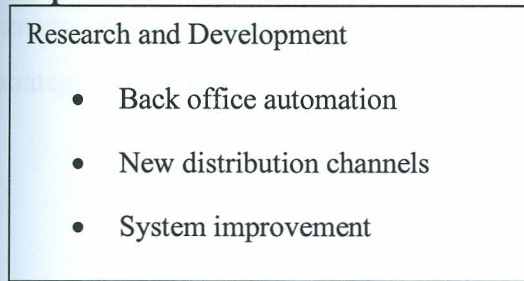
Change is the only constant in life and for organizations to remain relevant in an environment that is very dynamic, they need to continuously change and adapt to the changes in the environment. There are many reasons that organizations change for but the ultimate goal is to be different and do things better than before. Thus change is and should be treated as fundamental to the organization. Organizations can achieve this through becoming learning organizations. This ensures that change is continuous and effortless in the organization and also the employees through continuous training understand the importance of change to the organization.

In order that KCB's growth and profitability continues to advance in this global economy, economic growth is required. This growth requires both macroeconomic stability and an enabling economic environment. This enabling environment must provide the conditions for the private sector to develop into a major engine of economic growth. The financial system and more specifically the banks have a major role in assisting to create this enabling environment. Putting up strategies that respond to the turbulences in the environment is vital for survival of any bank in Kenya today. Hence the reason why KCB is always innovating ways to remain at the top of

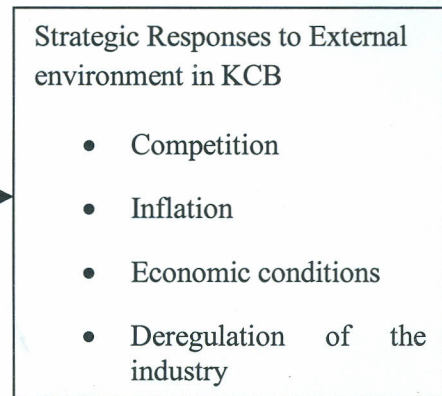
the banking industry through the use of specific strategic responses to changes in the environment.

2.11 Conceptual Framework

Independent Variables



Dependent Variable



Intervening Variable

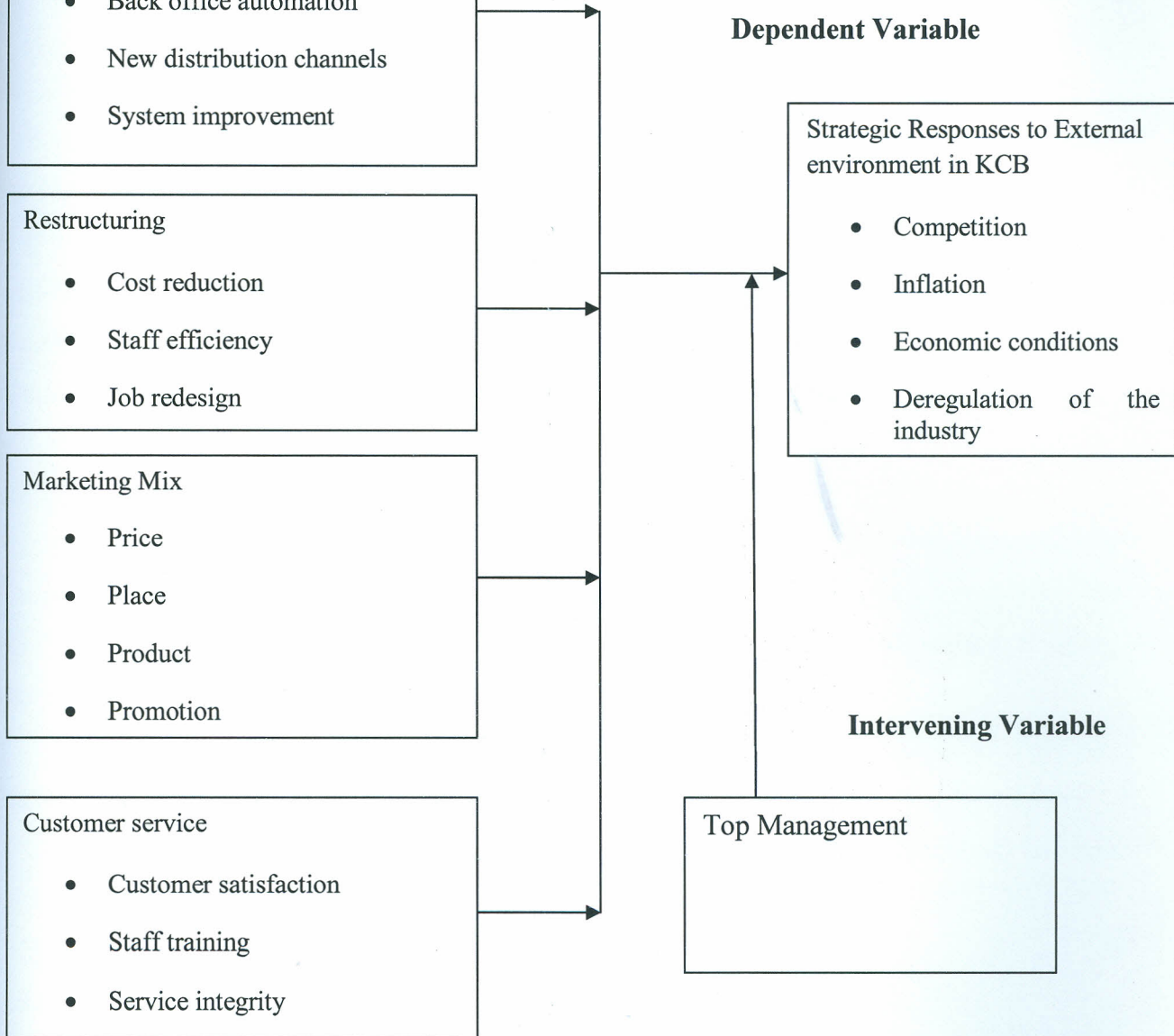
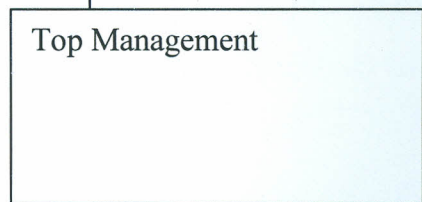


Figure 2.2 Conceptual Framework

Source: (Researcher, 2012)

2.11.1 Explanation of Variables

For an organization to remain relevant in any industry, it needs to come up with strategies to respond to changes in the environment in which it operates. KCB is aware of this fact and is using a number of strategies such as restructuring and improving quality of customer service among others to respond to the changing environment. The conceptual framework shows the strategies the bank is using to respond to the changes in the environment.

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains the design used in this research study, target population, sampling design (sample size determination, sampling procedure) data collection procedure, data collection instrument, validity and reliability of research instrument, administration of the instrument procedure and data analysis.

3.2 Research Design

This study adopted the descriptive survey design. Descriptive surveys are designed to measure the characteristics of a particular population, either at a fixed point in time, or comparatively over time (Gay, 2004). The design was considered appropriate for the study because according to Kothari (2003) survey is concerned with describing, recording, analyzing, and reporting conditions that exist or existed. Gay (2004) argues that survey method is widely used to obtain data useful in evaluating present practices and in providing basis for decisions.

3.3 Target Population

The population of this study included seventy employees of KCB Nyeri county branches of which four are branch managers, four are service, quality and compliance (SQC) managers, ten are business bankers, eight are customer service consultants and forty four are clerks. A census study was conducted.

3.4 Sampling Technique

The sampling technique that was adopted for this study is a census study. The sample size was seventy employees.

3.5 Data collection Tools and Techniques

Data was collected using a questionnaire. The questionnaire had open and closed ended questions. The questionnaires were administered using drop and later pick method. The questionnaire was used because it is faster, less costly and it covers a wide perspective to the study, Kothari (2004).

3.6 Data Analysis

Data collected was both qualitative and quantitative. Content analysis was best suited method of analysis for qualitative data. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. Quantitative data was analyzed using descriptive statistics such as frequencies and mean scores.

3.7 Data Presentation

Data collected was presented using tables, charts and graphs.

4.0 DATA ANALYSIS AND RESULTS

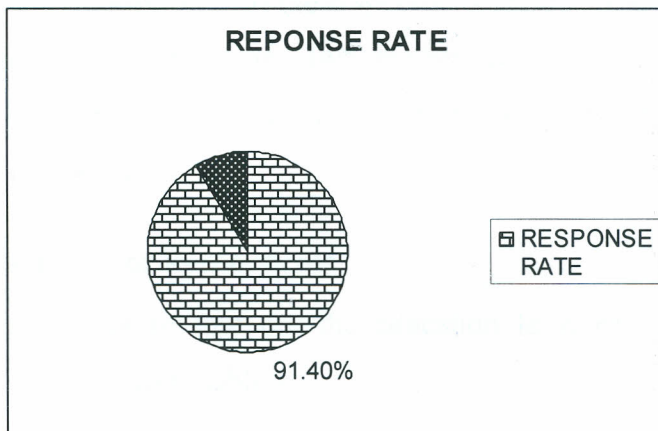
4.1 Introduction

The chapter presents the results and analysis of the data obtained from the respondents. For the purpose of easy understandability and interpretation, the researcher opted to use tables and charts to summarize and present the outcomes of the study. Most of the questions were close-ended in nature which was in favor for both the respondents and the researcher. The details are highlighted under various sub-headings as shown in the following sections.

4.2. Response Rate

The study established that the response rate was high enough to warrant continuation of data processing and analysis. Out of seventy respondents, sixty four provided the required feedback which translates into 91.4% response rate.

Fig. 4.1 Response Rate



Source (Researcher, 2012)

4.3 Bio Data

The researcher sought to find information on the following variable:-

4.3.1 Age of respondents

The researcher sought to establish the age of the respondents. The outcome is presented in the table below:-

Table 4.1 Age of respondents

Age bracket	Number of respondents	Percentage
20 - 30	31	48
31 - 40	17	27
41-50	9	14
51 - 60	7	11
Total	64	100

Source (Researcher, 2012)

From the table 4.1 above 48% of the respondents are between twenty and thirty years, 27% are between thirty one and forty years, 14% are between forty one and fifty years and only 11% is between fifty and sixty years. Thus most of the respondents are between the age group of twenty and thirty years at 48%.

4.3.2 Education level of Respondents

The researcher sought to find out the education level of the respondents. The outcome is represented in the following table:-

Table 4.2 Education Level

Level of Education	Percentage
Secondary school	3
College Diploma	31
Under graduate degree	60
Masters degree	6
Total	100

Source (Researcher, 2012)

From the table 4.2 above 3% of respondents have primary school education level, 31% have college diploma, 60% are under graduate degree holders and 6% have masters degree. Thus most respondents are graduates at 60%.

4.3.3 Position of the Respondents

The study examined the positions held by the respondents, under four given categories of the sales staff, clerical, supervisory and management positions. The outcome of the data was as follows:

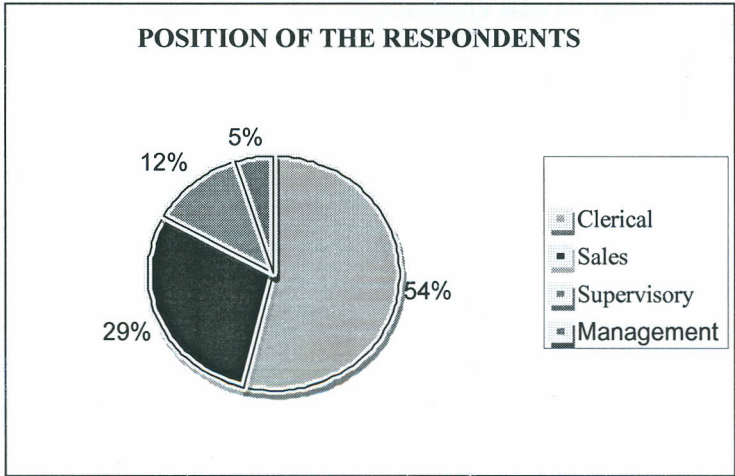
Table 4.3 Position of the Respondents

Comment	Percentage
Clerical	54
Sales Staff	29
Supervisory	12
Management	5
Total	100

Source (Researcher, 2012)

From the data above, clerical position were majority which constituted to 54%, followed by sales staff with 29%. Supervisory position constituted to 12% and only 5% held management positions. Thus most respondents hold clerical positions at 54%.

Fig. 4.2 Job Category



Source (Researcher, 2012)

4.4 Existence and Operationalization of Research and Development Department.

Research and development plays a pivotal role in creating competitive advantage in the face of dynamic market environment. The respondents were asked to comment on whether such a department existed and are an operational in the bank. This is presented in the table below:-

Table 4.4 Research and Development Department

Comment	Frequency	Percentage
Yes	64	100%
No	0	0
Total	64	100

Source (Researcher, 2012)

From the above table, all the respondents indicated the department was in existence.

4.4.1 Development of New Bank Products as a Strategic Response

The researcher sought to establish if development of new products was used as a strategic response in KCB. The opinion of the respondents was as reflected in the table below:-

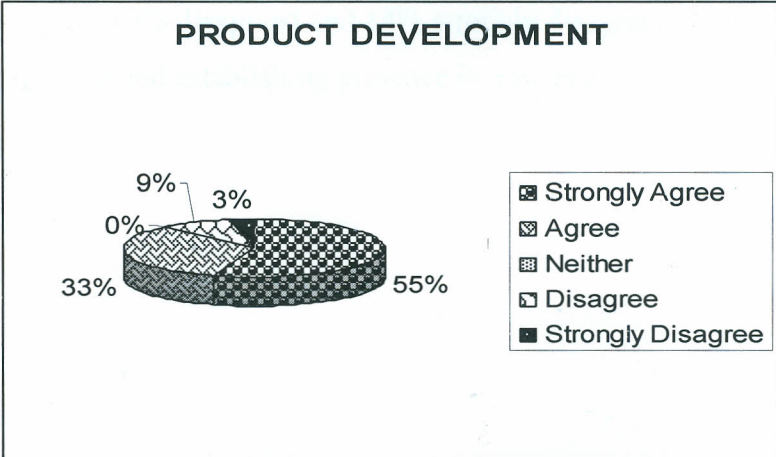
Table 4.5 New Products Development as a Strategic Response to Environment Change

Comment	Frequency	Percentage
Strongly Agree	35	55
Agree	21	33
Neither	0	0
Disagree	6	9
Strongly Disagree	2	3
Total	64	100

Source (Researcher, 2012)

From the table above, 55% and 33% of the respondents strongly agreed and agreed respectively, that new product development was a strategic response rate to changing bank’s market environment. However, 6% disagreed and 3% strongly disagreed. Thus from the responses above the bank develops new products.

Fig. 4.3 Strategic Response to New Product Development



Source (Researcher, 2012)

4.4.2 Banks Exploring New Products as a strategic Response

Moving into new market frontiers' and offering new products is often considered as a strategic response to changing market environment in the banking industry. The study sought the opinion of the respondents on this aspect.

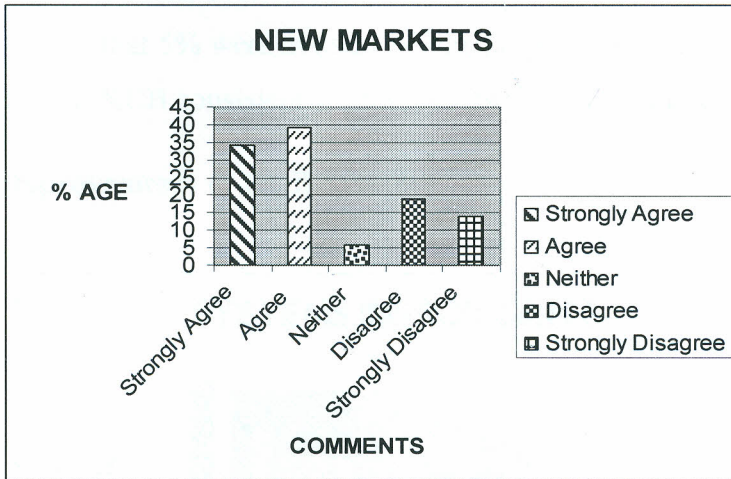
Table 4.6 Moving into New Market as one of the Bank's Strategic Response

Comment	Frequency	Percentage
Strongly Agree	22	34
Agree	25	39
Neither	4	6
Disagree	12	19
Strongly Disagree	9	14
Total	64	100

Source (Researcher, 2012)

From the table above, 34% of the respondents strongly agreed that KCB was moving into market frontiers as another strategies response to changing market environment. Another 39% agreed, 6% were not sure, 19% disagreed and 14% strongly disagreed. Thus most respondents agree that the bank is moving and establishing presence in new markets.

Fig. 4.4 New Markets as Strategic Response



Source (Researcher, 2012)

4.4.3 Systems Improvements as a Strategic Response used by KCB

The study sought to find out how KCB enhanced its systems, practices and methods with a view of leveraging the performance and output of its workforce. Under the continuous improvement principle, there has been a tendency to improve existing systems which are directly under the control of the management. This is presented in the table below:-

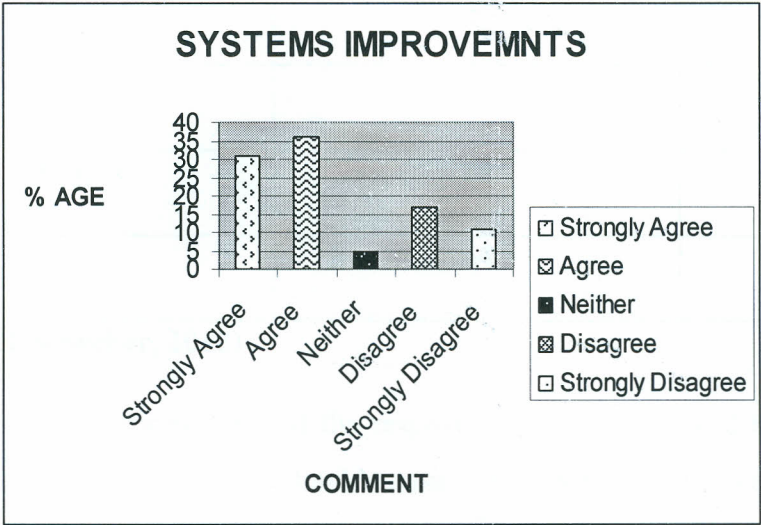
Table 4.7 KCB consistently improves its Systems as a Strategic Response

Comment	Frequency	Percentage
Strongly Agree	20	31
Agree	23	36
Neither	3	5
Disagree	11	17
Strongly Disagree	7	11
Total	64	100

Source (Researcher, 2012)

From the table above, 31% and 36% of the respondents strongly agreed and agreed, respectively that the bank often improves its systems as a strategic response to changing market environment. It was observed that 5% were not sure of this proposition while 17% disagreed and 11% strongly disagreed. Thus KCB consistently improves its systems as put by most respondents.

Fig. 4.5 Improvements of KCB Systems



Source (Researcher, 2012)

4.4.4 Repackaging of Existing Products

Repackaging of existing products is one of the outputs of a market research and was considered worth evaluating. To the eyes of the existing and potential customers, repackaged products appear new, fashionable and appealing. This aspect was examined in the following table:-

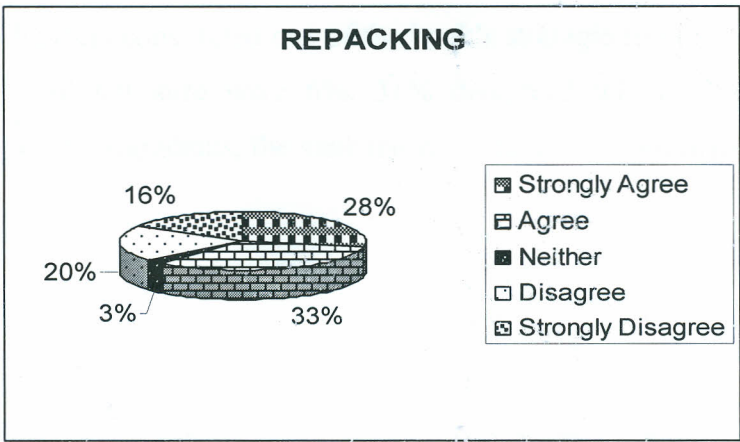
Table 4.8 KCB Repackages some of its Existing Products as a Strategy

Comment	Frequency	Percentage
Strongly Agree	18	28
Agree	21	33
Neither	2	3
Disagree	13	20
Strongly Disagree	10	16
Total	64	100

Source (Researcher, 2012)

From the above figures, 28% of the respondents strongly agreed that repackaging some of the existing products is one of the bank’s strategic responses to market environment changes. This was also agreed by another 33% although 3% were not sure. However, 20% disagreed and 16% strongly disagreed. Thus most respondents agree that the bank repackages its existing products.

Fig. 4.6 Products Repacking



Source (Researcher, 2012)

4.4.5 Opening of New Distribution Channels as a Bank's Strategy

Establishing new distribution channels opens new avenues for reaching as many potential markets as possible. It is a suitable technique for tapping some targeted niche markets that exhibits potential benefits. The researcher sought to find out whether this was happening in KCB. The outcome of this aspect was as shown below:-

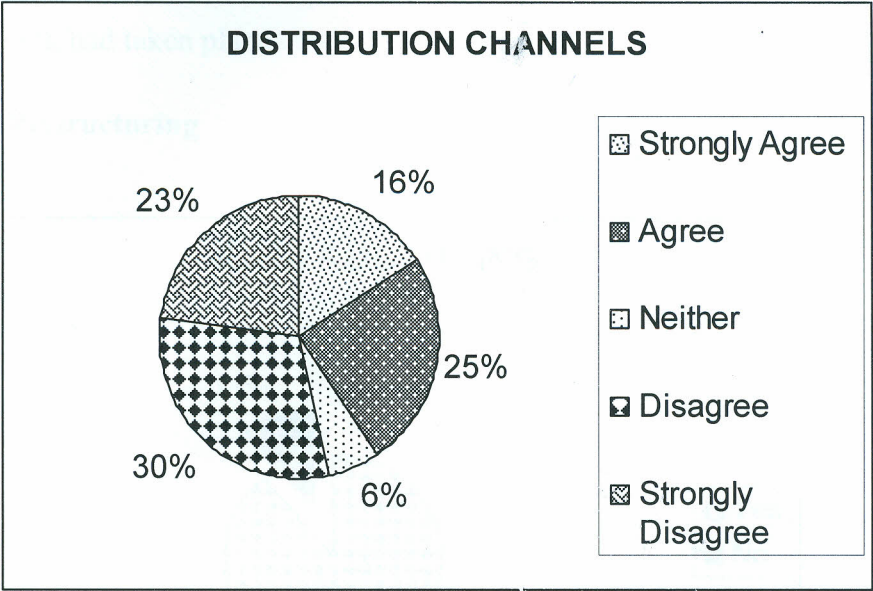
Table 4.9 New Distribution Channels Constitute one of the Bank's Strategy

Comment	Frequency	Percentage
Strongly Agree	10	16
Agree	16	25
Neither	4	6
Disagree	20	31
Strongly Disagree	15	23
Total	64	100

Source (Researcher, 2012)

From the table above, 16% and 25% strongly agreed and agreed respectively that new distribution channels constituted one of the bank's strategic responses to environmental changes. Those who were not sure were 6%, 31% disagreed while 23% strongly disagreed. Thus according to most respondents, the bank has not established new distribution channels.

Fig. 4.7 New Distribution Channels



(Researcher, 2012)

4.5 KCB Restructuring its Establishment

The opinion of the respondents was sought regarding whether the bank was seen as having restructured itself in the last five years or not.

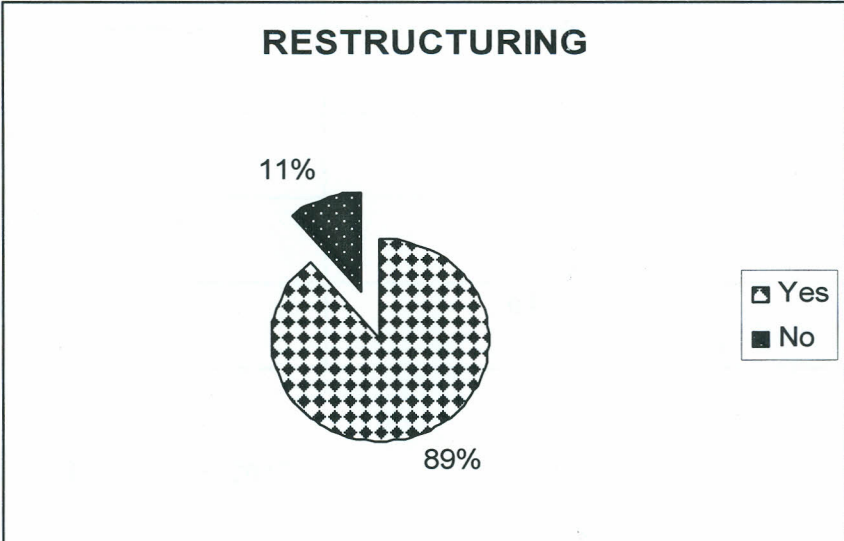
Table 4.10 KCB Restructuring its Establishment

Comment	Percentage
Yes	89%
No	11%
Total	100

Source (Researcher, 2012)

From the data above, majority of the respondents which is constituted to 89% said that the restructuring of the bank was taking place while 11% said there is no restructuring. Thus restructuring had taken place.

Fig. 4.8 Restructuring



Source (Researcher, 2012)

4.5.1 Staff Cost Reduction Initiative

The study examined the aspect of staff cost reduction as a restructuring strategy in response to changing market environment.

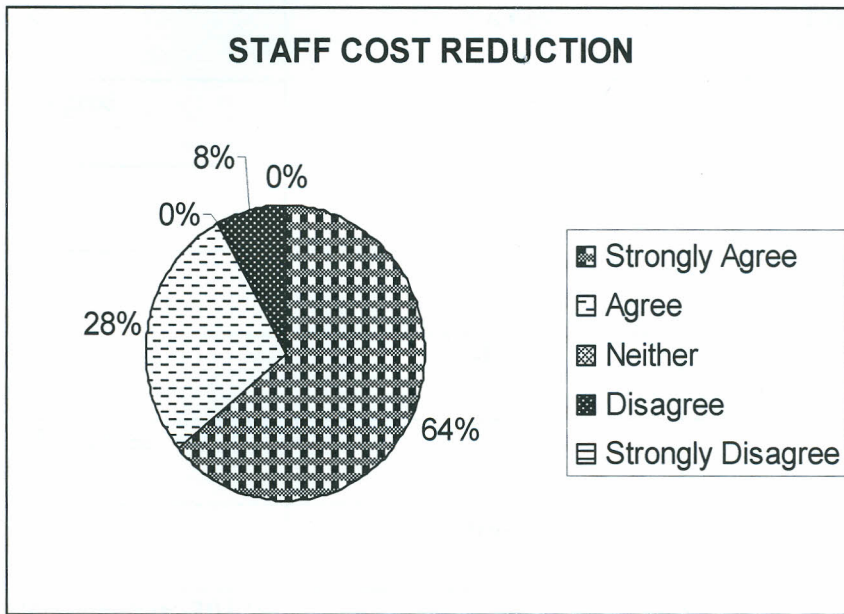
Table 4.11 Staff Cost Reduction was undertaken at KCB

Comment	Frequency	Percentage
Strongly Agree	41	64
Agree	18	28
Neither	0	0
Disagree	5	8
Strongly Disagree	0	0
Total	64	100

Source (Researcher, 2012)

From the data above, 64% of the respondents maintained that staff cost reduction move was undertaken at KCB as a strategic response to changing environment. Another 28% agreed but 8% disagreed. Thus staff cost reduction has been used in the bank.

Fig. 4.9 KCB Staff Cost Reduction



Source (Researcher, 2012)

4.5.2 Enhancement of Staff Efficiency

The concept and application of staff efficiency is one of the common themes in management circles. Regular training, personal initiative and management support are among the drivers of staff efficiency in organizations. This aspect was examined in this study.

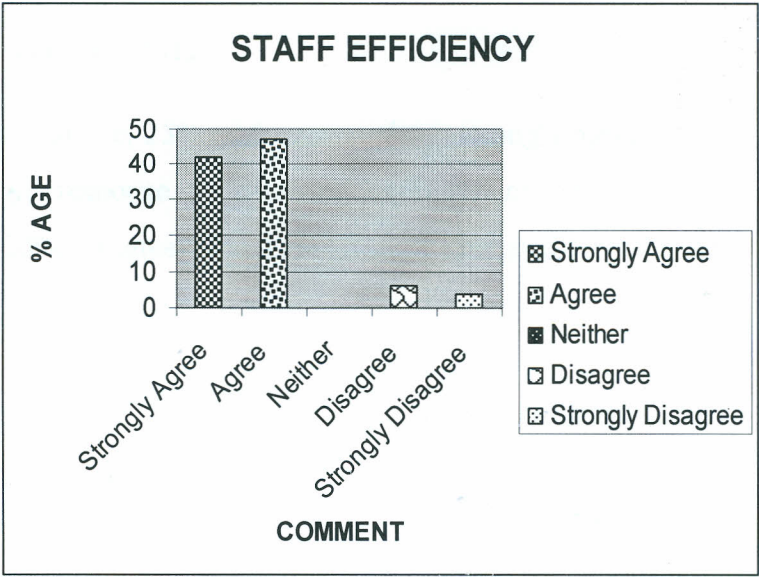
Table 4.12 Staff Efficiency Initiative was operational at KCB

Comment	Frequency	Percentage
Strongly Agree	27	42
Agree	30	47
Neither	0	0
Disagree	4	6
Strongly Disagree	3	4
Total	64	100

Source (Researcher, 2012)

From the data above, 42% and 47% of the respondents strongly agreed and agreed, respectively that staff efficiency initiative was undertaken at the Bank. However, 6% disagreed and 4% strongly disagreed. Thus the bank established staff efficiency initiative.

Fig. 4.10 Enhancement of Staff Efficiency



Source (Researcher, 2012)

4.5.3 Redesigning Jobs at KCB

Restructuring aimed at enhancing performance of the staff in the face of changing market environment may touch on redesigning employee's jobs to be more result focused, goal oriented and empower them in the area of decision-making. This aspect of job redesign at KCB was examined.

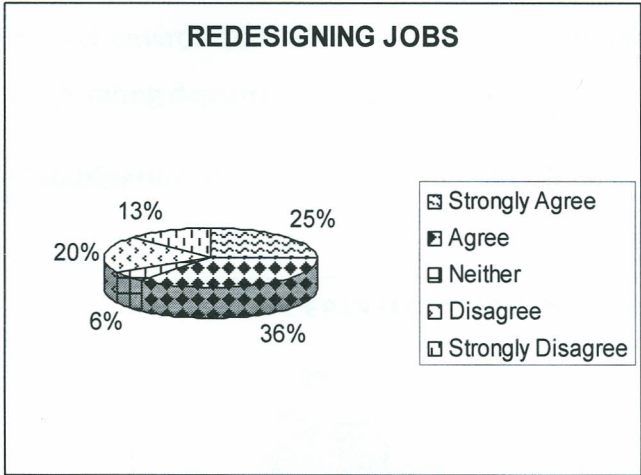
Table 4.13 Most Jobs were Redesigned as a Restructuring Strategy

Comment	Frequency	Percentage
Strongly Agree	16	25
Agree	23	36
Neither	4	6
Disagree	13	20
Strongly Disagree	8	13
Total	64	100

Source (Researcher, 2012)

From the table above, 25% of the respondents strongly agreed that jobs at KCB were redesigned as a strategic response to changing environment. Similarly, 36% agreed while 6% never responded, 20% disagreed and 13% strongly disagreed. Thus restructuring led to redesigning of jobs.

Fig. 4.11 Redesigning of Jobs at KCB



Source (Researcher, 2012)

4.5.4 Combining Operating Divisions and Departments

To minimize duplication of work and enhance service delivery, the management often considers combining some related operating divisions or concentrate on its core business while outsourcing some of its non-core activities. This aspect of combining departments was examined.

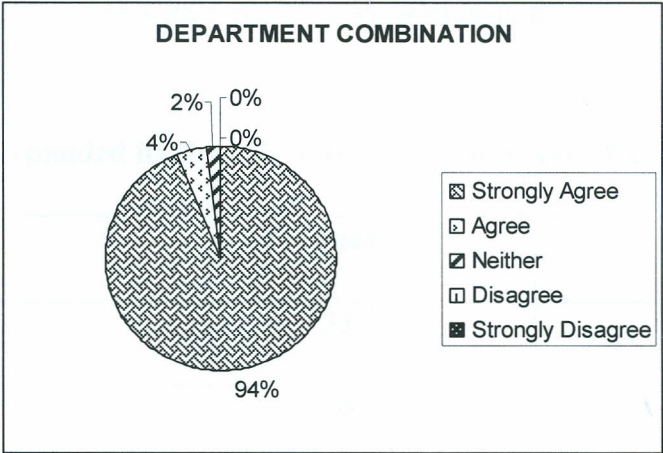
Table 4.14 Some Operating Departments were Combined

Comment	Frequency	Percentage
Strongly Agree	60	94
Agree	3	4
Neither	1	2
Disagree	0	0
Strongly Disagree	0	0
Total	64	100

Source (Researcher, 2012)

From the table above, a combined total of 98% of the respondents were in agreement that the management combined some departments as a restructuring strategy aimed at responding to changing market environment. However, 2% never commented on this issue. Thus restructuring led to some operating departments being combined.

Fig. 4.12 Combination of departments and Divisions



Source (Researcher, 2012)

4.5.5 Common Forms of Restructuring at KCB

Restructuring causes fundamental changes at the place of work that has far reaching consequences. While the principles and justification for restructuring may be valid and impressive, sometimes it may negatively impact on some members of staff. This study examined three forms of restructuring moves which were subjected to the respondents.

Table 4.15 Indicate the Form of Restructuring Witnessed at KCB

Form	Frequency	Percentage
Downsizing	64/64	100
Reengineering	64/64	100
Outsourcing	8/64	13

Source (Researcher, 2012)

From the data above, all the respondents, 100% indicated that both downsizing and reengineering took place under the banks restructuring program. However, only 13% viewed that some services and activities were outsourced. Thus the bank undertook both downsizing and reengineering restructuring.

4.6 Factor of Increasing Branch Network

Increasing branch network enhances banks accessibility, visibility and convenience to its customers. This can be done within the country or outside the country or both. This aspect was examined.

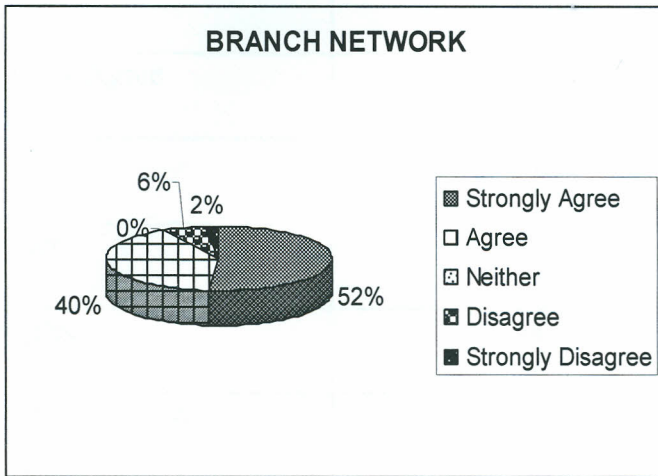
Table 4.16 KCB Expanded its Branch Network in the Recent Past

Comment	Frequency	Percentage
Strongly Agree	33	51
Agree	26	40
Neither	0	0
Disagree	4	6
Strongly Disagree	1	2
Total	64	100

Source (Researcher, 2012)

From the table above, 51% and 40% of the respondents strongly agreed and agreed respectively, that the branch network was increased in response to changing market environment. However, 6% and 2% disagreed and strongly disagreed respectively. Thus most respondents agree that KCB expanded its branch network.

Fig 4.13 Increased Branch Network



Source (Researcher, 2012)

4.6.1 KCB Product Affordability

Customers regard product affordability highly in the face of harsh economic times. Product affordability entails ability of the customers to acquire and utilize a product or service. It is a critical factor in consumer buying behavior among the customers. This was examined as per below table:-

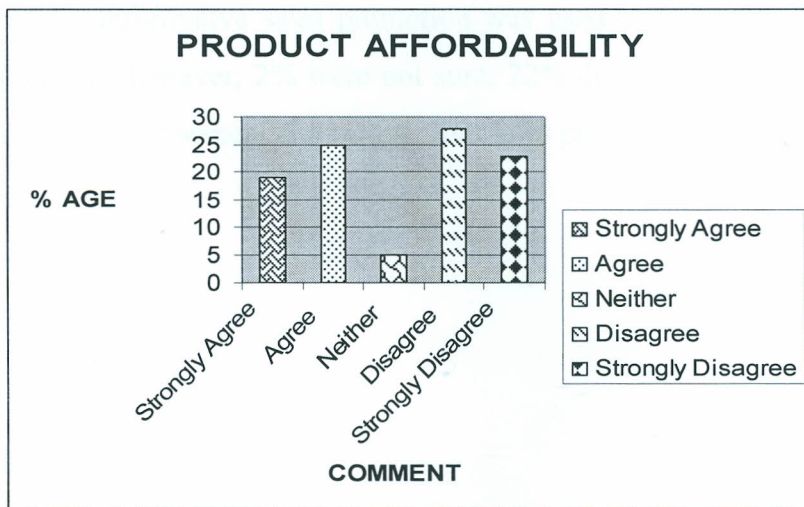
Table 4.17 KCB Products are generally Affordable

Comment	Frequency	Percentage
Strongly Agree	12	19
Agree	16	25
Neither	3	5
Disagree	18	28
Strongly Disagree	15	23
Total	64	100

Source (Researcher, 2012)

From the table above, 19% of the respondents strongly agreed that the bank’s products are affordable. Likewise, 25% agreed despite 5% failing to respond. It was observed that 28% disagreed and 23% strongly disagreed. Thus from the responses, the products are not generally affordable.

Fig. 4.14 KCB Product Affordability



Source (Researcher, 2012)

4.6.2 Use of Advertisement and Informative Sales Promotion

Informing, convincing and persuading customers is usually a demanding and expensive exercise. In a competitive market environment, effective utilizing of the marketing mix elements is of paramount importance. This aspect was examined in this study.

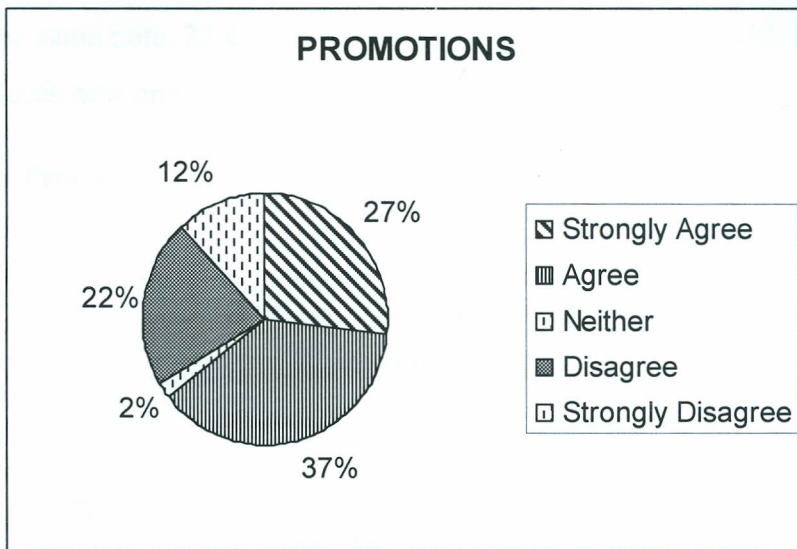
Table 4.18 Advertisement and Informative Sales Promotion is used as a Strategic Response

Comment	Frequency	Percentage
Strongly Agree	17	27
Agree	24	37
Neither	1	2
Disagree	14	22
Strongly Disagree	8	12
Total	64	100

Source (Researcher, 2012)

From the table above, 27% and 38% strongly agreed and agreed, respectively, that advertisements and informative sales promotion was used as a strategic response to changing market environment. However, 2% were not sure, 22% disagreed and 12% strongly disagreed. Thus the bank uses advertisement and informative sales promotion as a strategic response.

Fig. 4.15 Advertisement used as Strategic Response



Source (Researcher, 2012)

4.6.3 New Products for the Customers

Developing and marketing of new products is another strategic response that is tailored to attract and retain new and existing customers in a volatile banking market. This aspect was studied as presented in the table below:-

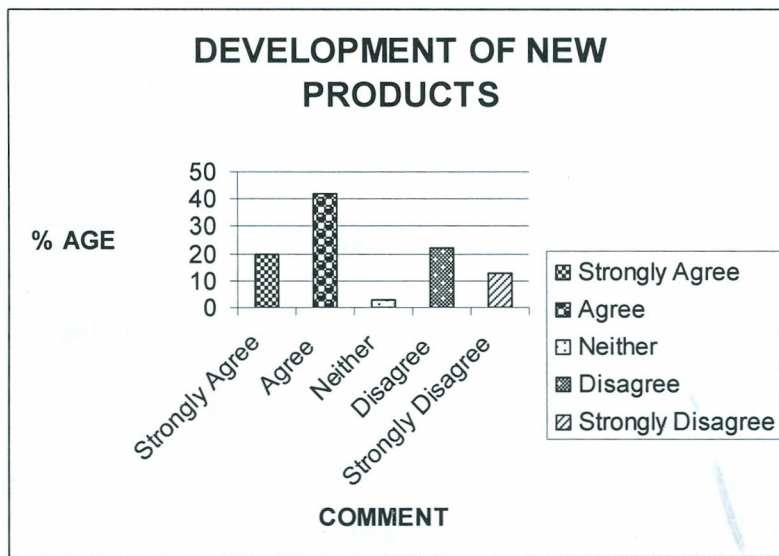
Table 4.19 KCB Develops and Introduces New Products into the Market

Comment	Frequency	Percentage
Strongly Agree	13	20
Agree	27	42
Neither	2	3
Disagree	14	22
Strongly Disagree	8	13
Total	64	100

Source (Researcher, 2012)

From the table above, 20% of the respondents strongly agreed that the bank development and introduced new products into the market over time. Similarly, 42% agreed although 3% were not sure. On the same note, 22 disagreed and 13% strongly disagreed with the proposition. Thus the bank introduces new products in the market.

Fig. 4.16 New Products in the Market



Source (Researcher, 2012)

4.6.4 Product Differentiation

One of the strategic responses to brand, attract and retain customers is to differentiate the products so that they appear unique and super compared to those of the competitors. The bank, like other commercial entities, differentiates its products in response to over changing market conditions. This aspect was examined as shown below:-

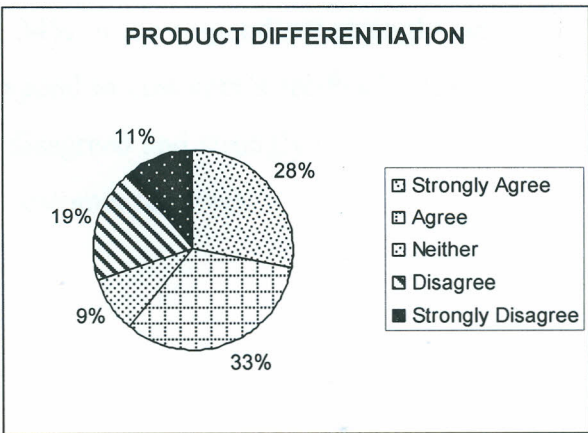
Table 4.20 KCB Products are differentiated from those of its Competitors

Comment	Frequency	Percentage
Strongly Agree	18	28
Agree	21	33
Neither	6	9
Disagree	12	19
Strongly Disagree	7	11
Total	64	100

Source (Researcher, 2012)

From the table above, 28% and 33% of the respondents strongly agreed and agreed respectively, that differentiation of the bank’s product was done in response to changing market condition. However, 9% were not sure, 19% disagreed and 11% strongly disagreed. Thus the bank strives to differentiate its products.

Fig. 4.17 Product Differentiation



Source (Researcher, 2012)

4.7 Soliciting Customer Feedback

Modern customer care services entail soliciting customer's feedback with a view of responding to their wishes and aspirations. This is captured through entities in the visitor's book or other documents issued to customers to record their comments, complaints or compliments. Such data is compiled and action plans developed to resolve emerging issues. This aspect was captured in this study.

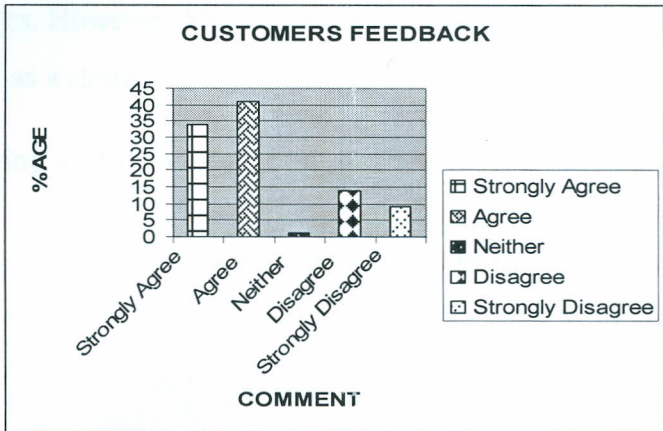
Table 4.21 KCB's Mechanisms to obtain Customer's Feedback as a strategic response

Comment	Frequency	Percentage
Strongly Agree	22	34
Agree	26	41
Neither	1	1
Disagree	9	14
Strongly Disagree	6	9
Total	64	100

Source (Researcher, 2012)

From the table above, 34% of the respondents strongly agreed that the bank has mechanisms in place to obtain and respond to customer's feedback. Another 41% agreed despite one not being sure. However, 14% disagreed and strongly disagreed with the proposition. Thus the bank has mechanisms to obtain customer feedback.

Fig. 4.18 Soliciting Customer Feedback



Source (Researcher, 2012)

4.7.1 Staff Training and Development

Most organizations are taking staff training programs seriously and are allocating substantial amount of finances to cater for the exercise. Human resources remains the most important resource in all organizations and hence the need to support and finance capacity building programs. This is presented in the table below:-

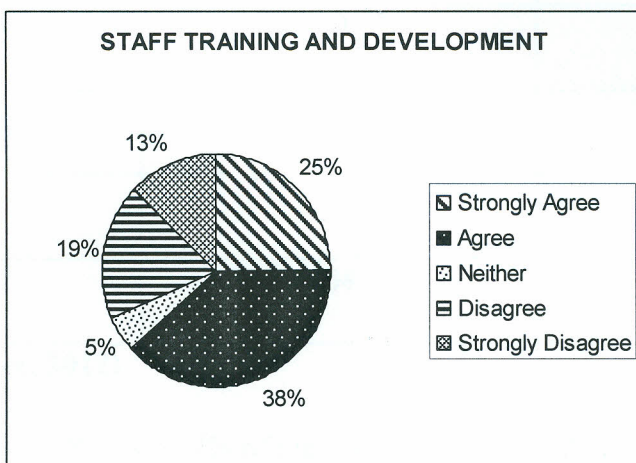
Table 4.22 KCB supports and Finance Staff Training Programs

Comment	Frequency	Percentage
Strongly Agree	16	25
Agree	25	39
Neither	3	5
Disagree	12	19
Strongly Disagree	8	13
Total	64	100

Source (Researcher, 2012)

From the table above, 25% and 39% of the respondents strongly agreed and agreed, respectively, that the bank uses staff training and development programs as a strategic response to environmental changes. However, 5% were not sure, 19% disagreed and 13% strongly disagreed. Thus training is used as a strategic response in KCB.

Fig.4.19 Staff Training and Development at KCB



Source (Researcher, 2012)

4.7.2 Faster Services to Customers

In today's world of commerce and performance management, time factor is valued significantly by both the employer and the employees. Faster services are much appreciated by the customers while the employer gains by reduced cost of providing service per unit and more revenues generated from serving more customers. This is presented in the table below:-

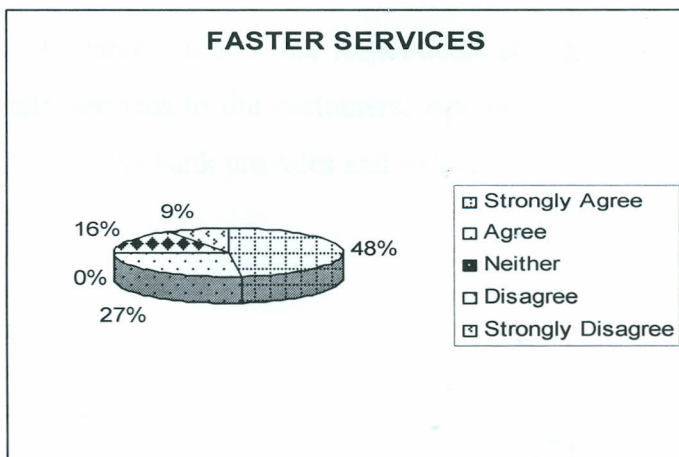
Table 4.23 KCB Values and Provides Faster Services to Customers

Comment	Frequency	Percentage
Strongly Agree	31	48
Agree	17	27
Neither	0	0
Disagree	10	16
Strongly Disagree	6	9
Total	64	100

Source (Researcher, 2012)

From the table above, 48% and 27% of the respondents strongly agreed and agreed, respectively, that the bank provides faster service as a strategic response to changing market environment. On the other hand, 16% disagreed while 9% strongly disagreed. Thus from the responses above the bank provides faster services to customers.

Fig.4.20 KCB provides faster Services to Customers



Source (Researcher, 2012)

4.7.3 Provision of Friendly Services to Customers

Customers recognize and appreciate friendly services from the service providers irrespective of the nature of the organization. Banks ensure that customers are provided with friendly services ranging from smiles down to making them satisfied. Customer care desks are manned by trained and experienced friendly staff in almost all organizations. The researcher sought to find out whether the bank provides friendly services to customers. This is presented in the table below:-

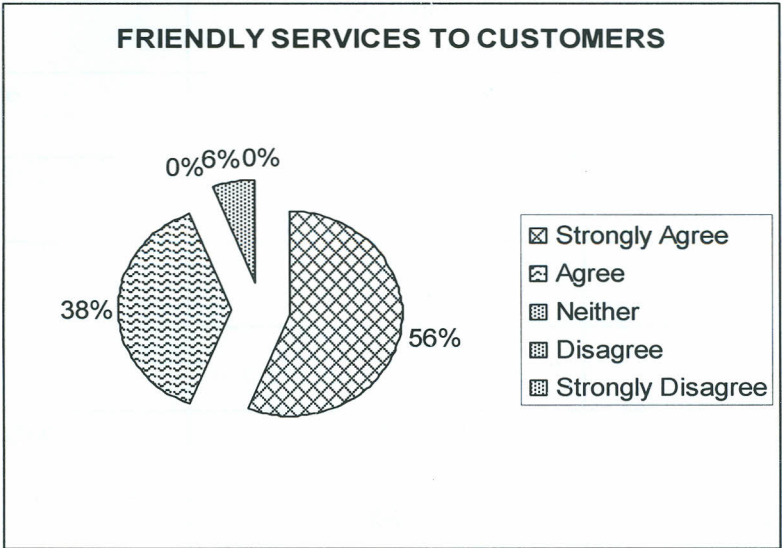
Table 4.24 KCB Provides and Sustains Friendly Services

Comment	Frequency	Percentage
Strongly Agree	36	56
Agree	24	38
Neither	0	0
Disagree	4	6
Strongly Disagree	0	0
Total	64	100

Source (Researcher, 2012)

As noted from the table, 56% of the respondents strongly agreed that the bank provided and sustained friendly services to the customers. Another 38% agreed although 6% disagreed with the proposition. Thus the bank provides and sustains friendly services to customers.

Fig.4. 21 KCB Provides Friendly Services



Source (Researcher, 2012)

4.7.4 Customer Relationship Management

This is a recent development in the field of enhancing service delivery to the customers and at the same time cultivating a culture of close relationship among the players in the supply chain. To this end, the respondents were asked to give their opinion on this aspect of relationship management at KCB. This is presented in the table below:-

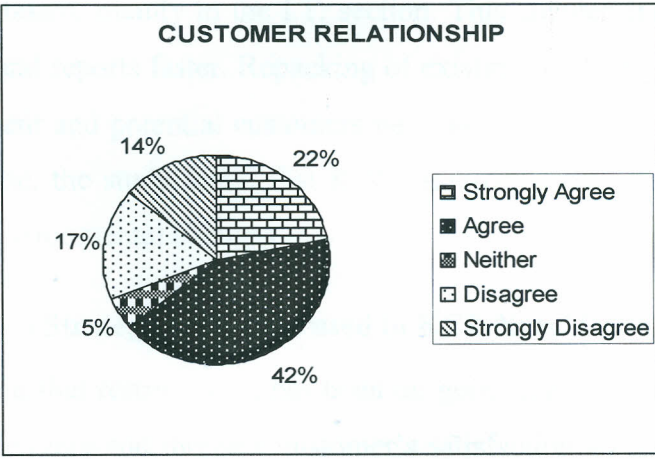
Table 4.25 Effective Relationship Management is Operational at KCB

Comment	Frequency	Percentage
Strongly Agree	14	22
Agree	27	42
Neither	3	5
Disagree	11	17
Strongly Disagree	9	14
Total	64	100

Source (Researcher, 2012)

From the table above, 22% and 42% of the respondents strongly agreed and agreed respectively, that relationship management was operational at KCB as a strategic response to changing market environment. However, 5% were not sure, 17% disagreed and 14% strongly disagreed. Thus the bank has in place effective relationship management.

Fig.4.22 Effective Relationship Management



Source (Researcher, 2012)

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of major findings derived from the analysis of the respondent's data. It is from these findings that conclusions have been drawn based on the specific objectives of the study. At the end of the chapter are recommendations generated in line with findings obtained from the study.

5.2 Summary of Major Findings

This study outlines summary of various findings that the researcher established on the objectives of the study.

5.2.1 Research and Development as a Strategic Response used in KCB Nyeri County branches

The study established that all the respondents were aware that a research and development department existed and was operational at KCB branches. The study found that majority of the respondents agreed that development of new products was an important strategic response in the face of environmental changes. Similarly, most of those involved in the study indicated that KCB moved into new markets as a strategic of expanding its market base in response to changing environmental circumstances. From the respondents, the study found out that KCB had improved its systems across the board, mainly in the I.T. section. This enabled it to process, analyze and generate reliable data and reports faster. Repacking of existing products was undertaken at KCB largely to give its current and potential customers new face lift in service offering. In order to reach wider market base, the study found that KCB established new distribution channels as a strategic response to environmental changes.

5.2.2 Restructuring as a Strategic Response used in KCB Nyeri County branches

The study further found that restructuring has been on-going for the last five years with a view of enhancing service delivery and increase customer's satisfaction levels. During the process of restructuring, the study found that cost reduction advantage was realized because operations and staff focused on enhanced efficiency and effectiveness. The management worked towards putting in place mechanisms and systems of enhancing staff efficiency at all levels. In the process of

restructuring, the study found that most of the jobs were redesigned mainly to empower the staff and position them to accommodate changes in the volatile financial markets. The study also found that a significant number of operating divisions, sections and units were combined to minimize duplication of services and enable the staff focus on the core functions of the bank. Among the major forms of restructuring that has taken place at KCB include downsizing and reengineering. These were found to be well known and internalized by most of the respondents.

5.2.3 Marketing Mix as a Strategic Response used in KCB Nyeri County branches

The study found that effecting changes in the marketing mix elements enabled the bank to respond to emerging changes in the market. The bank, among other measures, increased its branch network to reach as many customers as possible. The study found that agent banking was beneficial to both the customers and to the bank. It was convenient to most customers, reduced congestion in the banks and reduced the bank's burden of opening up new service points. The study found that most of the respondents strongly agreed that its branches were accessible, products were affordable to the Kenyan and the number of products was increased. Advertisements and use of informative sales promotion was found to be important levers of reaching more customer at the KCB branches. The study further found that the bank differentiated its products so that they appeared unique, attractive and different in the eyes of its customers.

5.2.4 Customer Service as a Strategic Response used in KCB Nyeri County branches

Enhancing customer care services was noted to be another strategic response adopted by the bank in the face of changing market environment. The management obtained customer's feedback and responded to the wishes and aspirations of the customers. More important, was the fact that customer satisfaction surveys were undertaken where its recommendations were acted upon. The study also found that majority of respondents agreed that staff training and development was instrumental in transforming the thinking and performance of the employees. Another major finding was that the services nowadays offered by the KCB bank were faster, friendly and focused on quality aspect. Customer relationship management was enhanced to ensure that all members of staff were responsive and alert to the wishes, desires, demands and expectations of the customers.

5.3 Conclusions

The study concludes that KCB embraced a number of strategic responses in the face of changing external environment. The management in its research and development unit focused on what the bank can undertake in order to respond to changing consumer demand in a dynamic market environment. Among the strategic responses which the bank tool included developing a range of new products that catered for various niche market segment both in the urban and in the rural set ups. The study further concludes that the bank moved into new market areas to serve emerging markets across the country. Attention was given to system improvement to take advantage of the rapid progress in the field of information technology.

To portray a new image and accommodate all categories of customers, the study concluded that the bank repackaged some of its products to appear more appealing, attractive and unique in the eyes of the customers. This was supported by establishment of additional new distribution channels to reach wider market base.

In the area of restructuring, the study concludes that exercise was visible, known and operational for the last five years. The restructuring process resulted into overall reduction of operational costs, according to majority of the respondents. Concerning the performance of the staff, the study concludes that restructuring contributed to enhanced efficiency among the employees due to implementations of result – based performance practices. Most of the jobs were redesigned and job enlargement undertaken. To minimize duplication of services, consider number of divisions, departments and sections were combined to enable members of staff to focus on the core functions of the bank. What was much visible and evident in the wake of restructuring was the process of downsizing and reengineering which radically changed the way things were done at KCB. It can, therefore, be concluded that restructuring process was a significant strategic response in the face of changing market environment.

The study went further to conclude that expansion of branch network was considered as a valuable strategic response because it contributed to bank's ability to reach out to many customers. In relation to agency banking, the study concludes that the service worked in favour of both the bank and to the customers because it completed the efforts of enhancing customer satisfaction by brings services closer to the customers. The KCB branches were considered accessible to both current and potential customers as supported by majority of the respondents.

Another important conclusion drawn from the study was the aspect of bank's product affordability. Majority agreed most of the KCB's products were now relatively affordable to many Kenyans. Advertising activities were found to play an important role of sustaining and expanding customer base for KCB. The exercise was supported by informative sales promotion programs which popularized the bank and in turn responded positively to the environmental changes in the market. The study also concludes that the number of products targeted for different market niches had increased considerably in the last few years in response to changing market conditions. The management also initiated differentiation strategy which made KCB products and services appear unique and attractive.

The study in relation to customer care services concludes that a number of measures were put in place to enhance service delivery and increase the customer satisfaction index for the bank. The process of capturing and responding promptly to customer's feedback was beefed up and all staff sensitized on the same. Numerous staff training programs cutting across ordinary banking activities was undertaken as a step towards building capacity of the bank. More competent staff was recruited to fill up positions which came up during the process of restructuring and expansion. Among the specific objectives of the customer care services unit was to provide faster and friendly services to the customers. The study concludes that majority of the respondents were in agreement that the bank was now offering faster and friendlier services across its all branches. To enhance customer satisfaction and customer management, that bank implemented the recommendations drawn from last year's customer satisfaction survey. In conclusion, the banks customer services were enhanced and other strategic responses initiated in the face of changing environmental.

5.4 Recommendations

The study examined the strategic responses of KCB in the face of changing external environment. From the study findings and conclusions drawn, a number of recommendations have been developed. It is recommended that the mandate of the research and development section be expanded to cover marketing intelligence to unearth the strategies used by the competitors. The research activities should be expanded to include the factors influencing consumer behavior which deals with banking transactions. The bank's research and development

budget be increased to cover customer satisfaction surveys and feasibility studies in the financial market.

Although restructuring may be beneficial to an organization, it is recommended that those measures that have long term implications such as downsizing be implemented gradually. By so doing, the employee's loyalty and satisfaction level may not be injured. The process should include mechanisms for empowering employees and engaging them in decision-making. The management should be implementing changes but at the same time be considering the welfare of the staff.

The role of the marketing mix elements i.e. the four P's should be expanded at KCB. Members of staff should be engaged in a series of brainstorming sessions where alternative options should be tabled for discussions for the 4 P's in the financial market. There is a need to revisit the charges levied by the bank especially when advancing loans to the borrowers. Reference should be made to the central bank of Kenya analysis released regularly indicating various charges for each bank.

The efforts to enhance customer services should be sustained. Banks are service providers where efforts to attract and retain customers is a lot but losing a customer may be sudden and immediate. More resources and investments should be allocated to customer service related activities in order to give the bank a competitive edge. Staff sensitization programs in customer management practices should be increased.

5.4.1 Recommendations for Further Study

This study was carried out in Nyeri County, further study should be carried out in other counties and regions in which KCB operates to establish the strategies being employed to cope with changes in the environment.

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Appendices
Appendix I
WORK PLAN

YEAR	2012		
ACTIVITY\MONTH	MARCH	APRIL	MAY
PROJECT PROPOSAL WRITING			
CORRECTIONS			
DATA COLLECTION			
DATA ANALYSIS			
REPORT WRITING			
FINALISATION OF REPORT			
SUBMISSION OF REPORT			

Appendix II

BUDGET

BUDGET ITEM	TOTAL COST(Ksh)
MATERIALS	
Literature Survey/Photocopying	2500
Internal Services	6000
SUB TOTAL	8500
OTHER COSTS	
Drafts Proposed Printing	2000
Binding	1500
Travel/ Accommodation	4000
Office Supplies	4000
Telephone/ Internet	4000
Report Publication & Photocopying	6000
SUB TOTAL	21,500
10%Contingency	3,000
TOTAL COST	<u>33,000</u>

Appendix III

Letter of Introduction to Respondents

Pamela Murugi Njiru
P.O BOX 150-00520
Nairobi.

Dear Sir/Madam

RE: STRATEGIC RESPONSES OF KCB NYERI COUNTY BRANCHES IN THE FACE OF CHANGING ENVIRONMENT

I am a Masters of Business Administration MBA (Strategic Management) student in the School of Business, Kenyatta University.

I am working on my project and my topic is as indicated above. I kindly request you to fill for me the questionnaire below to enable me complete this study.

Your assistance will be highly appreciated.

Yours faithfully,

Pamela Murugi Njiru
D53/ NYI/PT/21342/2010

Appendix IV

Questionnaire

SECTION A: Bio-Data

1. Name of respondent (optional).....
2. Age of respondent.....
3. Marital Status (tick appropriately)
Married
Single
Other
4. Education level (tick appropriately)
Secondary school
College diploma
Under graduate degree
Masters degree
5. Department /section
6. Number of years of work experience in the organization.....
7. Which category best describes your position within your organization?
Sales
Clerical
Supervisory
Management

SECTION B: Research and Development

8. Does KCB have a Research and Development department?
YES
NO

9. To what extent do you think KCB has used the following factors related to Research and Development as strategic responses to environmental change? Tick appropriately.

	Strongly agree	Agree	Not sure	disagree	Strongly disagree
(a) New product development					
(b) Moved to new markets					
(c) System improvement					
(d) Repackaging existing products					
(e) New distribution channel systems					
(f) Back office automation					

SECTION C: Restructuring

10. Has your organization undertaken restructuring in the last five years?

YES []

NO []

11. To what extent do you think KCB has used the following factors related to restructuring as strategic responses to environmental change? Tick appropriately.

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
(a) Staff cost reduction					
(b) Staff efficiency					
(c) Job redesign					
(d) Combined divisions or departments					

12. What form of restructuring has taken place in KCB? Tick appropriately

Downsizing []

Reengineering []

Outsourcing []

SECTION D: Marketing Mix

13. To what extent do you think KCB has used the following factors related to marketing mix as strategic responses to environmental change? Tick appropriately.

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
(a) Branch network					
(b) Agent Banking					
(c) Accessibility of branches					
(d) Product affordability					
(e) Advertising					
(f) Informative sales promotion					
(g) Number of products					
(h) Newness of products					
(i) Differentiation of products from competitors					

SECTION E: Customer Service

14. To what extent do you think KCB has used the following factors related to customer service as strategic responses to environmental change? Tick appropriately.

	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
(a) Customer feedback					
(b) Staff training and development					
(c) Competent staff					
(d) Faster service					
(e) Friendly service					
(f) Relationship management					

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