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Influence of Competitive Strategies on the Performance of Barclays Bank in Garrisa County, Kenya

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Abstract

The study sought to investigate competitive strategies on the performance of Barclays bank Garrisa County, Kenya. Lack of efficient and effective competitive advantage in many commercial banks often culminates to low productivity. In Kenya today, commercial banks are becoming many thus providing a stiff competitive environment. This competition has prompted Barclays Bank to adopt mechanisms to help in maximizing profits. The specific objectives were to examine the influence of focus strategy, cost leadership strategy, differentiation strategy and marketing strategy on performance of Barclays Bank in Garrisa County, Kenya. The study was based on the following theories; Porter's Theory of Competitive Advantage, Ansoff Theory, Open Systems Theory and Resource Based View Theory. The study adopted a descriptive research design with the target population being the employees at Barclays bank in Garissa County, Kenya. The sample size was 178 respondents comprising of 6 managers obtained through a census survey and 172 employees selected using stratified sampling method. Data was collected using questionnaires for the employees and interviews for the managers. Quantitative data was summarized and then analyzed by use of descriptive statistics using frequencies, means and standard deviation, inferential statistics such a regression analysis and qualitative data was analysed using content analysis technique. The study found that through the use of focus strategy, commercial banks look for the competitive advantage by brand marketing and product innovation, instead of efficiency. Differentiation strategy was found out to allow the commercial banks to have multiple banking products. The study further found out that marketing strategies help bring organization to the task of marketing their products or services to the public. The study concluded that the strategies employed by the banks helped in improving efficiency and also attaining competitive advantage. The study recommended that commercial banks in Kenya should centre on the existing markets and products or services; they can create competitive edge by getting the best mix between existing products and existing markets. This can be mainly done through product niche and market identification.

Key Words: *Competitive Strategy, Performance, Barclays Bank, Garrisa County, Kenya*

1. BACKGROUND OF STUDY

Organizational performance is the measure of standard or prescribed indicators of effectiveness, efficiency and environmental responsibilities such as cycle time, productivity, waste reduction and regulatory compliance. According to Porter (1980), a business can maximize performance either by striving to be the low cost producer in an industry or by differentiating its line of products or services from those of other businesses; either of these two approaches can be accompanied by a focus of organizational efforts on a given segment of the market. Thompson et al (2007) notes that, the success with which a firm's business strategy effectively addresses its industry's key success factors will determine its strategic performance; therefore, performance is an outcome of strategy especially competitive strategies. Measuring the performance of an organization as pointed out by Huber (2014) ensures that strategic activities are aligned to the strategic plan further improving the bottom line by reducing process cost and improving productivity and mission effectiveness. Many firms desire better performance because it is seen generally as a sign of success, progress. Organizational growth is used as one indicator of effectiveness for small and large businesses and is a fundamental concern of many practicing managers (Sophia & Owuor, 2015). Ultimately, success and performance of an organization will be gauged by how well a firm does relative to the goals it has set for itself. Strategic planning is a key driver of organizational performance, Since it has to emerge as a strategic business partner helping the top management build an organization that is good not just for today, but for tomorrow and beyond.

2. RESEARCH PROBLEM

Organizational performance is an important indicator of a thriving economy. The changing environment has necessitated commercial banks to adopt competitive strategies to survive and enhance their performance. In line with adoption of competitive strategies, the Barclays Bank in Kenya has been facing numerous challenges in implementation of these strategies due many players operating in the same market in the banking industry. As Thompson (2007) pointed out, the indispensable input of a leader in an organization is to provide vision, drive and direction which an organization should take in a competitive environment. Banking has traditionally operated in a relatively stable environment for decades. However, today the industry is facing dramatically aggressive competition in a new deregulated environment. Commercial banks in Kenya are realizing that stiff competition within the banking industry necessitates the design of competitive strategies to guarantee their performance. Successful strategies lead to superior performance and sustainable competitive advantage (Porter, 2004). The ability of a firm to command a competitive advantage depends on the sustainability of the competitive advantages that they command.

The business environment in the country has drastically changed resulting in some commercial banks opening a number of branches across borders and thus increasing competition in the industry globally (Porter, 2004). Dulo (2006), states that every bank has to consider how to enter a market and then build and protect its competitive position. Guided by these facts, there is a need, to formulate a study on competitive strategies adopted by Kenya Commercial Banks and their effects on performance. Banking sector organizations are gaining competitive advantage anchored on service process innovations as the key differentiating factor for banks (Kandaphully & Duddy, 2009). However, it is regrettable that some banks in Kenya have lost sight of the key goals anchored on serving customer needs, through improved efficiency and augmented financial benefits. Previous research studies have concentrated on the implementation of the competitive strategies adopted by various institutions like banks. These includes, Adhiambo (2009) studied competitive positioning and performance of commercial banks and observed that firms must repackage their products, be innovative and move with technology for survival in the so dynamic world of business. Obiero (2008) focused on competitive strategies adopted by cement manufacturing firms in Kenya and observed that pricing of products, low cost of materials and proximity to customers were among the key strategies.

The studies were done on competitive strategies and their relationship to performance. However, these studies were focused on specific firms which operate in different industries. This study intends to bridge this gap by carrying out a survey that will assess the competitive strategies adopted by Kenya Commercial Banks and their effects on performance, a case of Barclays bank Garissa.

3. OBJECTIVES OF THE STUDY

The general objective of this study was to investigate the influence of competitive strategies on the performance of Barclays bank in Garrisa County, Kenya.

3.1 Specific objectives

1. To examine the influence of focus strategy on the performance of Barclays Bank in Garrisa County, Kenya.
2. To establish the influence of cost leadership strategy on the performance of Barclays Bank in Garrisa County, Kenya.
3. To determine the influence of differentiation strategy on the performance of Barclays Bank in Garrisa County, Kenya
4. To investigate the influence of marketing strategies on the performance of Barclays Bank in Garrisa County, Kenya.

4. THEORETICAL REVIEW

4.1 Porter's Theory of Competitive Advantage

This study was guided by Porter's Theory of Competitive Advantage pioneered by Porter (1980). The competitive forces approach views the essence of competitive strategy formulation as relating a company to its environment. The key aspect of the firm's environment is the industry or industries in which it competes. Industry structure strongly influences the competitive rules of the game as well as the strategies potentially available to firms. In the competitive forces model, five industry level forces: entry barriers, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among industry incumbents determine the inherent profit potential of an industry or sub segment of an industry. The approach can be used to help the firm find a position in an industry from which it can best defend itself against competitive forces or influence them in its favor (Porter, 1980).

This five force framework provides a systematic way of thinking about how competitive forces work at the industry level and how these forces determine the profitability of different industries and industry segments. The competitive forces framework also contains a number of underlying assumptions about the sources of competition and the nature of the strategy process (Porter, 1980). Competitive strategies are often aimed at altering the firm's position in the industry vis-a-vis competitors and suppliers. This theory is relevant to the study because it provides a sophisticated tool for analyzing competitiveness with all its implications. Closing the circle of factors which determine the existence of competitive advantage it is necessary to consider the context in which firms are created, organized and managed as well as the nature of domestic rivalry.

4.2 Ansoff Theory

Ansoff introduced the concept of balancing "external characteristics of the product-market strategy and creating internal fit between strategy and business resources" (Ansoff, 2007).

Ansoff's (2007) work is based on developing an instrument which facilitates a top manager's ability to analyze data with the objective of exploring and exploiting the "future profit potential" and, as a result, improve the firm's competitive position. Ansoff's (2007) approach can quantify information in a way that enables management to match their behavior and capabilities to the external operating environment. He noted that managers frequently try a "one-size fits all" approach and do not vary their plans and behaviors based on current conditions; instead they tend to develop plans and manage in ways that are based only on historical data. Ansoff was able to empirically prove that using data to account for both historical and future scenarios as well as changing plans and behavior to match these scenarios as they evolve is a valid method for optimizing the firm's success (Ansoff, 2007).

Ansoff (1965) identified the Portfolio Analysis and Strategy as an alternative analytic tool in strategic management. The market penetration strategy of existing markets occurs whenever an organization penetrates a market with its current products or offerings. In the market development strategy the goal can either be to change an established product or change the customer segment of a more current product. The product development strategy states that new products should be created so that the company can achieve growth and development. Diversification strategy involves moving simultaneously into new products and new markets. The theory of Ansoff helps in making sure that a firm will maintain its standing in an existing market, new products would be properly marketed and also helps in making sure that existing products would not be forgotten.

4.3 Open Systems Theory

Open system theory was developed by Ludwig von Bertanlanffy (1956), a biologist, but it was immediately applicable across all disciplines (Scott, 2003). Open system perspectives see organizations both as hierarchical systems and as loosely coupled systems. Open systems tend to have some semblance of clustering and levels. The open-systems theory assumes that all large organizations are comprised of multiple subsystems, each of which receives inputs from other subsystems and turns them into outputs for use by other subsystems (Hatch, 1997). The subsystems are not necessarily represented by departments in an organization, but might instead resemble patterns of activity. Interdependencies and connections within a subsystem tend to be tighter than between subsystems. These "stable sub-assemblies" give a distinct survival advantage to the entire system.

This theory is relevant to the study because it holds that in order for the organization to achieve its objectives and goals, it is important that it operates as an open system where it takes care of the environment in its decision making process because failure to do this may lead to failure to deliver on organizational objectives. The interaction of the organizations in this environment then results to the production of key resources that enable organizations to be sustained or to change in order to survive. Open systems approach to management considers all organizations as open systems which are influenced by the environment in which they exist.

4.4 Resource Based View Theory

This study will be based on Resource Based View (RBV) theory as advocated by Barney (1991). In the Resource Based View (RBV) theory, to develop a competitive advantage the firm must have resources and capabilities that are superior to those of its competitors. Without this superiority, the competitors simply could replicate what the firm was doing and any advantage quickly would disappear. Resources are the firm-specific assets useful for creating a cost or differentiation advantage and that few competitors can acquire easily. Examples of competitive advantage include; Brand popularity, Strategic assets, corporate reputation, Low pricing, and Superior database management and data processing capabilities among others. The significance of the resource perspective as a new direction in the field of strategic management was broadly recognized by Wernerfelt (1984) who suggested that evaluating firms in terms of their resources could lead to insights that differ from traditional perspectives. This theory is relevant to the study because it addresses the fundamental question of why firms are different and how firms achieve and sustain competitive advantage by deploying their resources.

5. CONCEPTUAL FRAMEWORK

The following conceptual framework depicts the relationship between the independent variable and the dependent variable; it was based on four independent variables and one dependent variable.

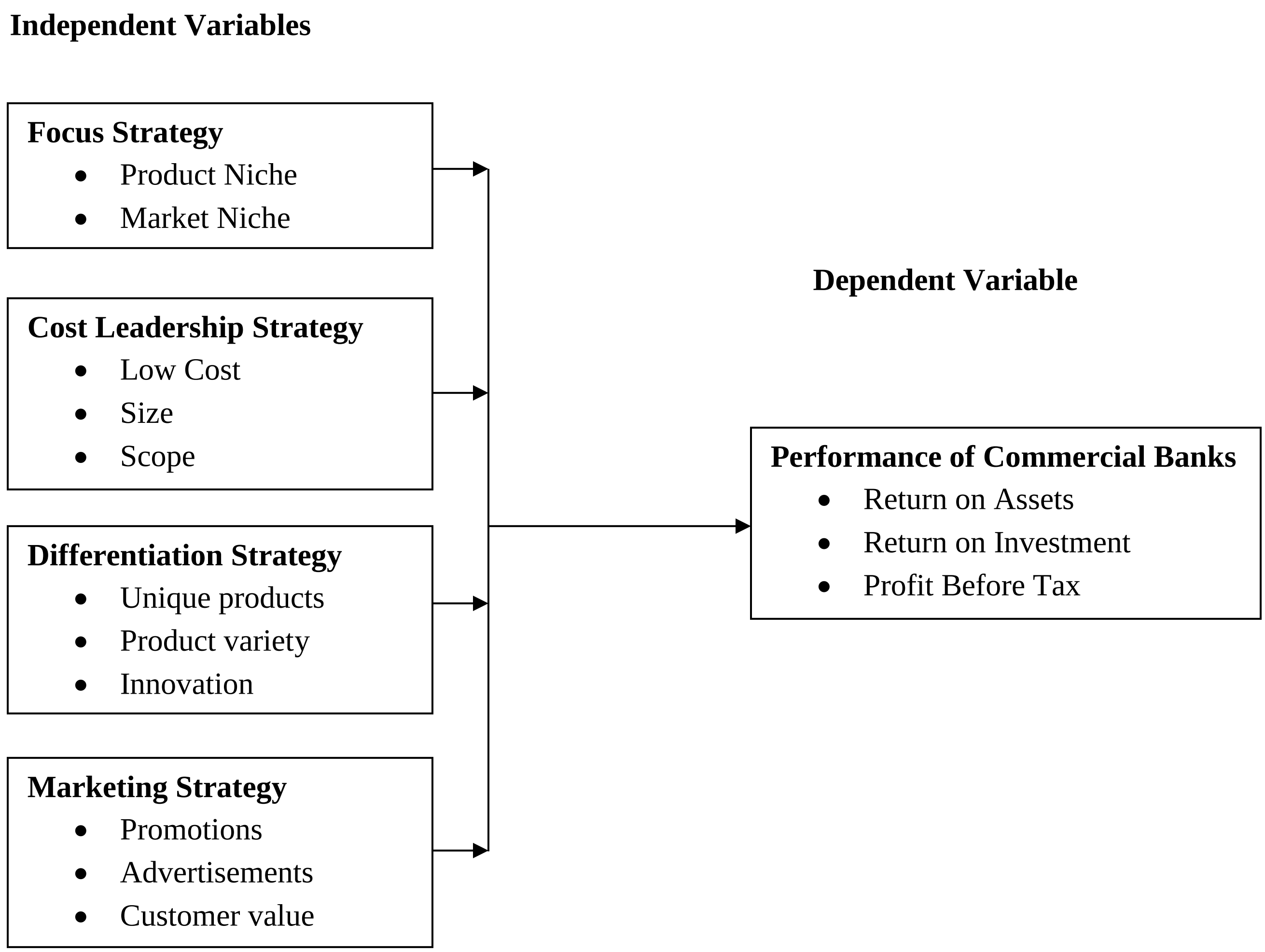

Figure 1: Conceptual Framework

6. RESEARCH METHODOLOGY

The study adopted a descriptive research design since the study is intended to gather quantitative and qualitative data to establish the competitive strategies adopted by Kenya Commercial Banks and their effects on performance. According to Mugenda and Mugenda (2003) descriptive research was used to obtain information concerning the current status of the phenomena to describe 'what exists' with respect to variables or conditions in a situation.

The target population is the specific population about which information is desired. The target population was Barclays bank in Garissa County, Kenya. The targeted number of respondents was 376 respondents comprising of 6 managers and 370 employees from six departments.

Sampling is the process of selecting a number of individuals for a study in such a way that the individuals represent the larger group from which they were selected (Creswell, 1994).Stratified sampling method was used to group the respondents into departments namely (HRM, IT, Audit and Archives, clearing, customer service and credit). After grouping the respondents into different department, the employees were selected using simple random sampling from each department. All the managers were sampled using census method. The researcher worked with a sample size of 30% to select the employees.

Data was collected through the use of questionnaires for the employees and interviews for the managers. Data from the questionnaires was edited and coded and then keyed into Statistical Package for Social Sciences (SPSS) Version 20.0. Quantitative data was summarized and then analyzed by use of descriptive statistics using frequencies, means and standard deviation. Inferential statistics was utilized to generate meaning and relationships. Content analysis technique was used to analyse qualitative data from the interviews. Analysis of Variance (ANOVA) was used to test the level of significance of the variables on the dependent variable at 95% confidence level. Multi-regression analysis was used to establish the degree of mathematical relations between the study variables.

7. DATA ANALYSIS RESULTS

The four independent variables that were studied namely; focus strategies, differentiation strategies, cost leadership strategies, marketing strategies explain 65.2% of the performance of commercial banks in Kenya as represented by the adjusted R square. This therefore means that other factors not studied in this research contribute 34.8% of the performance of commercial banks in Kenya. Therefore, further research should be conducted to investigate the other factors (34.5%) that affect the performance commercial banks in Kenya.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.813[a]	.660	.652	.579

a. Predictors: (Constant), focus strategies, differentiation strategies, cost leadership strategies, marketing strategies

The significance value is 0.000[a] which is less that 0.05 was obtained in the analysis of variance thus the model is statistically significance in predicting how focus strategies, differentiation strategies, cost leadership strategies and marketing strategies. The F critical at 5% level of significance was 26.043. Since F calculated (value = 77.723) is greater than the F critical (value=26.043), this shows that the overall model was significant.

Table 2: Model Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	104.170	4	26.043	77.723	.000[a]
	Residual	53.611	160	.335		
	Total	157.782	164			

a. *Predictors: (Constant), focus strategies, differentiation strategies, cost leadership strategies, marketing strategies*
b. Dependent Variable: Performance of Commercial banks

The coefficients obtained were 0.472 for Focus Strategies, 0.230 for Differentiation Strategies, 0.931 for Cost Leadership Strategies and 0.532 for Marketing Strategies. This shows that focus strategies, differentiation strategies, cost leadership strategies and marketing strategies had a positive and significant effect on the performance of commercial banks in Kenya as indicated by beta values. This implies that an increase in these variables will result in improved performance. The relationships ($p < 0.05$) are all significant where cost leadership was found to have a greater (93.1%) influence on performance of commercial banks in Kenya, followed by marketing strategies (53.2%), focus strategies (47.2%) and differentiation strategies (23.0%).

Table 4: Model Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.204	.311		.656	.512
	Focus Strategies	.472	.121	.273	3.905	.000
	Differentiation Strategies	.230	.150	.107	1.532	.0007
	Cost Leadership Strategies	.931	.136	.531	6.867	.000
	Marketing Strategies	.532	.107	.297	4.971	.000

a. Dependent Variable: Performance of Commercial Banks

8. CONCLUSIONS

On focus strategies, the study concluded that through the use of focus strategy, commercial banks naturally look for the competitive advantage by brand marketing and product innovation, instead of efficiency. This allows for high return on the initial investment. This is especially seen where the organization has the capability of identifying the preferences of narrow market regions, enabling it to better meet them than its other competitors.

On cost leadership strategies, the study concluded that low-cost leadership is the high level of asset commitment and capital-intensive activities that often accompanies this strategy. To produce or deliver services at low cost, banks often invest considerable sums of resources into rigid, inflexible assets and production or distribution technologies that are difficult to switch to other products or uses. Thus, banks can find themselves locked in to a given process or technology that could rapidly become obsolete.

On differentiation strategy, this study concluded that differentiation strategy allows multiple banking products to co-exist as long as they concentrate on different attributes. Banks ensure that the premium price they are able to charge is enough to cover their costs of focusing on the chosen attribute. If the attribute they choose to focus on is not valued highly enough by the market, they might end up with below average returns.

On Marketing strategies, this study concluded that Marketing strategies help bring organization to the task of marketing their products or services to the public. They create targeted campaigns that get their message out to the consumers who matter most towards the organization success. Marketing strategies provide customer with information that the customer would not have access to otherwise. It also helps the bank to form goals based on a combination of past performance and future projections.

9. RECOMMENDATIONS

On focus strategies, this study recommended that commercial banks in Kenya should centre on the existing markets and products or services; they can create competitive edge by getting the best mix between existing products and existing markets. This can be mainly done through product niche and market identification.

On cost leadership strategies, this study recommends that for commercial banks to adopt cost leadership strategies it has to appeal to cost-conscious or price-sensitive customers, this can be achieved by having the lowest prices in the target market segment. To succeed at offering the lowest price while still achieving profitability and a high return on investment, the commercial banks in Kenya must be able to operate at a lower cost than its rivals, this could be possible through some fairly unique capabilities to achieve and sustain their low cost position.

On differentiation strategy, this study recommended that commercial banks in Kenya may differentiate in various methods such as new technology, brand image, design, network customer service or the number of features. With differentiation strategy is the limitation by competitors, changes in customer tastes and increase in pricing of products due to additional costs incurred in adding unique features on the product to achieve the differentiation

On Marketing strategies, this study recommends that commercial banks in Kenya should carry out a research on market analysis, competitor analysis, company analysis etc. identify your target customers through segmenting and positioning customers then examine their product or service with the aim of working out how they are going to market it and outdo competitors and identify how they can go on communicating to the customers benefits of buying their products or services.

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