

Strategic Responses by Commercial Bank of Africa

**Strategic Responses by Commercial Bank of Africa to Changes
in the Regional Business Operating Environment**

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Abstract

This study is on the Commercial Bank of Africa (CBA), which is the largest privately owned bank in Kenya and Tanzania and is currently expanding to other East African countries. The bank's target market since its incorporation has been corporations and institutions . CBA had been dominating this market for a long time until the late 2000s, when it started experiencing challenges as a result of the changing business operating environment, including changes resulting from integration of the East African Community and other regional business dynamics. CBA has been forced to respond to these challenges in a number of ways.

The study examined the strategic responses adopted by CBA to changes in the business operating environment in the East African region and sought to find out what opportunities are being presented by regional market integration. The objectives of the study were first to establish the strategic responses of CBA to changes in the regional business operating environment and secondly to establish the challenges and opportunities CBA has encountered as a result of the changing regional business operating environment over the last five years. After the data had been analysed, it was observed that CBA responded to changes in the regional business operating environment in a number of ways. Some of the strategic responses by CBA are regional market expansion, corporate restructuring and re-branding, research into and development of new products and services, improving information and technology systems, adopting a financial strategy and improving the human resource management style.

Introduction

Organizations and especially business organizations depend on the environment and so they must keep abreast of changes in the environment if they are to operate profitably (Ansoff & McDonnell 1990). Organizations obtain their inputs from, and discharge their output to, the environment through a value chain (Porter 1998). According to Pearce & Robinson (1997), an organization's environment consists of conditions and forces that affect its strategic options and define its competitive position. When the operating environment changes, the organization should revise its strategies to match the level of turbulence in the environment, which must be supported by its internal capability (Ansoff & McDonnell 1990).

Strategic Responses to Changes in the Regional Business Operating Environment

Changes in the business operating environment present both challenges and opportunities to business ventures and therefore for a business to operate profitably and remain competitive in an industry it must not only respond to the challenges but also exploit the opportunities presented by changes in the environment.

Grant (2000) observed that for a firm to compete in any industry, its strategy should be consistent with its goals and values, resources and capabilities, and more importantly it should be flexible enough to accommodate changes in the business environment.

It was observed by White and Shipper (1998) that a business's operating environment is very important to its performance in both how it is run in the short run and also as a going concern. Even though the business operating environment comprises many factors, a firm should respond first to the major factors that affect its competitiveness while at the same time exploiting

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the opportunities that come along with the changes. Pearce & Robinson (2007) say that managing the external environment is a fundamental component of strategic management. External factors in the environment influence a firm's choice of direction, the action it will take and ultimately its structure and processes. The choices made by a firm are generally meant to increase its competitive advantage.

Having a strategy is about creating a fit between the external characteristics and internal conditions of an organization in order to resolve a strategic problem and take advantage of the opportunities, Aosa (1998). A strategic problem exists when there is a mismatch between the internal characteristics of a firm and changes in the operating environment and thus there is always a need to formulate a set of actions and decisions to adapt to the changes. According to Ross et al (1996), for an organization to remain truly competitive as the environment changes, it has to learn to adapt and reorient itself to the changing environment. This process has to be deliberate and coordinated, leading to the gradual realignment of the firm's strategic orientation with its environment.

Commercial Bank of Africa (CBA)

The Commercial Bank of Africa, popularly known as CBA, is the largest privately owned commercial bank in Kenya and Tanzania. Until recently, the bank's target market had been predominantly corporations and institutions, as well as individuals with a high monthly income. CBA has been performing very well in this market in terms of profitability and growth in its market share. In the last five years the bank has experienced increased competition from other banks and the changing regional business operating environment, especially in the expanded East African Community (EAC). The Bank has been forced to come up with various strategic changes to help it remain competitive, to counter the challenges presented by the

expanded market and to exploit the opportunities that the integrated market has presented.

Regionally, the Bank has branches in Kenya and Tanzania only, but in its five-year strategic plan (2007-2012) it planned to open some more branches regionally, with the aim of having at least one branch in Kigali (Rwanda), Kampala (Uganda) and Juba (South Sudan) to take advantage of the opportunities presented by the expanded EAC market. The bank also had plans to implement a new strategy that would allow selected retail banking in the EAC. In addition, the Bank planned to include in its target market middle-income individuals alongside its corporate and institutional customers. This is due to the increasing number of middle class people as a result of the growing regional economy.

Statement of the Problem

Business organizations operate in a constantly changing environment and for this reason some business operations are affected in one way or another in the short or long term by changes in the environment. Because of this, a business should adopt new strategies in response to changes in the operating environment. In East Africa, there has been a lot changes in the business operating environment in the last ten years and businesses have been forced to adopt different strategies in response to these changes. The ongoing integration of regional economies and harmonization of the customs process of member countries are two of the many changes.

The regional banking industry has been one of the sectors mainly affected by changes in the regional operating environment and regional banks have adopted some strategies to respond to these changes. A strategic response adopted by one bank may be different from the one adopted by another, although they are all in the same business.

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It was observed by Miller and Friesen (1983) that, even though much is known about the relationship between strategy, structure and the environment, too little is known about the third link - the relationship between strategy making and the environment. They further noted that as a result of the constantly changing business operating environment, strategy making should be a process and not a onetime event. Firms should always be on look out for changes taking place in their environment and come up with appropriate strategic responses to address them. Chege (2008) argues that, in order to determine competitive advantage and create coping strategies, a firm needs to understand the environment it is operating in so that the strategies created will be the right ones in response to the changing environment.

Over the last decade, the operating business environment has become very dynamic, which has caused firms not only to be keen but also to remain alert to environmental changes so that they can respond to them in good time. Recently, in 2008 and 2009, there were many challenges as a result of the global economic crisis that started in the USA and spread to other continents. Although financial institutions were the first to be hit hard by this economic crisis, other sectors of the economy were soon affected and many firms were forced to adjust their strategies to respond to the challenge. Locally, a number of external factors have affected the banking sector, but one notable factor is increased competition for the regional market that has put managers under pressure to improve productivity and financial performance in a very challenging environment.

To our knowledge studies that have analysed responses to environmental changes have all addressed the Kenyan business operating environment and all of them studied banks whose core market segment is retail and personal banking, (Mutugi (2006) Mugweru (2008) Gitonga (2008) and

Chege 2008). This study therefore has filled this gap by studying the East African region's operating environment and the bank that specializes in the corporate and institutional market.

This study will help answer the following question: What responses have CBA, as a corporate and institutional banker, made to address changes in the regional business operating environment and what business opportunities has CBA encountered as a result of integration of the East Africa economies?

Objectives of the Study

The overall objective of this study was to establish what strategic responses have been made by CBA to changes in the regional business operating environment and the specific objectives were to establish what strategic responses CBA has made to address changes in the regional business operating environment and to identify the opportunities that have arisen as a result of the integration and expansion of the EAC market.

Importance of the Study

The study will be of importance to various stakeholders in the EAC. Having an understanding of and providing information on the responses this Bank has made to counter challenges resulting from changes in the regional business operating environment will be useful for other regional banks and financial institutions with the same target market for formulating their strategic plans.

The results of this study will also help other local and regional market players to know what opportunities have arisen as a result of the expanded EAC market, who will then be able to formulate strategies that will help them capitalize on these opportunities. The study may also expose some

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other areas for future academic and business research aimed at improving business management styles in a changing environment.

Literature Review

Views on Strategy as a Concept

Thompson (1993) views strategy as a set of predetermined actions aimed at increasing a firm's competitiveness in a very competitive environment. Johnson & Scholes (2001) see strategy as the direction and scope of an organization over the long term, which achieve its objectives through the configuration of resources to meet the needs of the market and fulfil stakeholders' expectations. They argue that strategy should be seen as the matching of the activities of an organization to the environment in which it operates. They further argue that even though strategy can be seen as *building* or *stretching* an organization's resources and competencies to create opportunities or to capitalize on opportunities, it does not mean simply trying to ensure that resources are available or can be made available, but rather it means identifying existing resources and competencies, which might be the basis for creating new opportunities in the marketplace.

Chandler (1962) sees strategy as the establishment of the long-term goals and objectives of an organization, including taking action and allocating resources to achieve these goals. Pearce & Robinson (1997) see strategy as the building of defences against competitive forces or finding a position in the industry where competitive forces are weakest. Strategy is a plan that sets out an organization's major goals, policies and actions (Quinn, 1950). Thompson & Strickland (1998: pg 2) argue that a company's strategy is the *game plan* management have for positioning the company in its chosen market arena, for competing successfully, pleasing customers and achieving good business performance.

In order for an organization to formulate a good strategy that will enable it to achieve both its long and short-term goals, it first needs to clearly understand its business. It should be in a position to answer the following questions. Where are we as a business? Where do we want to go? And how do we get there? By answering these questions it will be in position to come up with a *strategic vision* of its future business make-up of where the business is heading. Porter (1980) says that strategy is basically about competition and the means by which an organization fights to gain competitive advantage. Johnson & Scholes (1999) say there are three levels of strategy: corporate-level strategy, which is concerned with the future direction of the company; business-level strategy which is concerned with the sustainability of different portfolios; and operational level strategy, which is concerned with shop floor delivery systems and procedures. It can be concluded that a strategy can be clearly formulated after careful and objective analysis of the firm's resources and capability. This ensures that a firm does not create a strategy that it cannot implement or that will put too much strain on its overall capabilities, thereby reducing its competitive advantage.

A number of local studies have been done to find out how various organizations have responded to environmental challenges. Chege (2008) did a study on the competitive strategies adopted by Equity Bank Kenya Ltd in response to changes in the environment. He found out that some of the strategies Equity Bank had adopted included investing in modern information technology, reviewing human resource policies to offer staff incentives and corporate restructuring. He notes that while formulating these strategies some of the challenges came from the employees who were resistant to change and from the huge financial expenditure that sometimes went beyond the estimated level.

In a study by Gitonga (2008) on the response strategies of the Equity Bank for countering competition in the banking industry, it was observed that it had restructured its corporate operations with the aim of separating

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its retail and corporate business. He also noted that marketing and promotion strategies were used to counter competition and that the Bank had invested in modern information and communications technology (ICT) to boost its operations. He observed that the management faced the challenge of explaining to both the shareholders and small-scale customers that the Bank was not incorporating corporate business at the expense of retail customers, who were the core market segment.

In her study on the response strategies adopted by Barclays Bank for dealing with challenges from the external environment, Mugweru (2008) noted that it made improvements in its ICT, especially in terms of inter-connectivity aimed at offering branchless banking to customers. She also noted an improvement in human resource management activities aimed at attracting and retaining talented staff, alongside developing new products to cater for customers' changing preferences. Some of the challenges encountered when formulating response strategies included delays in responding due to bureaucratic communication channels and decision making, resistance to change by various stakeholders and huge financial expenditure.

Mutugi (2006) did a study on the strategic responses of Barclays Bank to changes in the retail banking environment and observed that it used a marketing strategy. This involved product segmentation, price discrimination and extended geographical coverage. He also found that the bank had made improvements in its human resource management operations, had invested in ICT and instituted change management that involved managing change in the work environment.

Definition of Strategic Response and Business Operating Environment

A strategic response is a well formulated set of actions or decisions aimed at countering a change which has already taken place, is currently taking place or is anticipated to take place. A response is a reaction to a threat/

opportunity posed to an organization that would hinder/help it achieve both long and short-term objectives. According to Ansoff and McDonnell (1990), a strategic response involves changes in the firm's strategic behaviour to ensure success in the future changing environment. The usefulness or relevance of a response adopted by a firm is measured by how well it has countered the challenge or exploited the opportunity emanating from the environment.

According to Ansoff and McDonnell (1990), the management system adopted by an organization is a determining component of its responsiveness to changes. The management system adopted determines the way in which it perceives the environment and what it believes its impact on the firm will be, and so it implements the decisions made. Strategic responses are basically meant to cushion the firm from threats resulting from changes in the environment. There are no standard responses or sequences of responses a firm may adopt to respond to the environment, because every response will depend on the type of environmental change and a firm may adopt more than one kind of response to an environmental challenge. A well developed and targeted response is a firm's formidable weapon for acquiring and sustaining a competitive edge in a changing environment. These responses may include a marketing response, financial response, research and development response, human resource management response and improved ICT (Wheelen & Hunger, 2008).

The business operating environment is a combination of various external factors that influence the way in which an organization achieves its goals. These external factors include economic conditions, political and legal systems, technological changes, culture and demographic changes, among others (Erica 2011). Operations management is concerned with overseeing, designing or redesigning business operations with the ultimate aim of

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controlling the production of goods and services in the most effective manner in order to achieve the overall business objective. Business operations are therefore aligned to the operating environment and a watchful eye is kept so that business operations can be modified in line with changes in the environment.

Relationships between Operating Environment, Strategy and Internal Capability

Business operations are affected by environmental changes and if they are to effectively compete and remain profitable they must adapt to changes in the operating environment. It was observed by Pearce & Robinson (2007) that a business's operational factors influence its choice of direction, action and ultimately its structure and procedures. They divide factors in the environment into three interrelated categories: factors in the remote environment, factors in the industry's environment and factors in the operating environment. The remote environment comprises factors that originate beyond, and usually irrespective of, a firm's operating situation. The industry's environment consists of aspects like the extent of rivalry between existing firms, the threat posed by suppliers, buyers and substitute products and the level of entry barriers in the industry. The operating environment is also called the competitive environment and is typically more subject to a firm's influence or control. This environment comprises the firm's customer composition, its reputation, its resources, internal capabilities and management style and its ability to attract and retain capable and talented employees, among other factors.

A firm's strategy should not only be tied to its internal capability (resources) but it should also be flexible enough to respond to changes in the operating environment. Thompson (1997) argued that managers must not only be aware of environmental changes but they must also manage the

organization's resources to take advantage of the opportunities and to counter threats. Shipper and White (1988) observed that the operating environment has many facets, three of the major ones being the degree of market competition, the rate of technical innovation and economic fluctuations that affect the industry.

Ansoff and McDonnell (1990) noted that a change in organizational behaviour is necessary when there is a change in the environment if the firm is to be competitive. They further noted that changes that affect the organization's strategy and capability need to be systematically identified through the strategic diagnostic approach. The approach is derived from the strategic success hypothesis, which states that "a firm's potential is optimum when the aggressiveness of the firm's strategic behaviour matches the turbulence of its environment and the responsiveness and capability of the firm is supportive of this. When one of these three aspects is missing then the firm's performance potential will be less than optimum".

According to Grant (2000), a successful strategy is consistent with the organization's goals, values and the external environment, as well as its resources, capabilities and systems. This indicates that an organization depends on the environment for its survival and its response to the environmental situation will determine its performance. Thus when there are changes in the environment, the organization's capability and strategy would need to be changed to ensure a continued strategic fit.

Research Methodology

Research Design

This study adopted the case study method. Yin (1984) says that case study research is best because it helps provide an understanding of a complex issue or object and can widen experience or add strength to what is already known through previous research. He argues that a case study is also good when conducting totally new research in order to gain

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in-depth information on the subject. Kothari (1990) noted that a case study is a good method of doing research because it involves careful and complete observation of a social unit, be it a person, an institution, a family, cultural group or an entire community. Case study emphasizes depth rather than breadth.

The case study design enabled the researchers to obtain in-depth information in a short period of time on the response strategies used by CBA. It helped provide an understanding of the behaviour patterns of this particular Bank. Case studies have been used successfully by past researchers such as Chege(2008), Mugweru (2008) and Njau (2000).

Data Collection

Both primary and secondary data were collected. Primary data was collected from CBA's senior management team and the persons targeted were the Managing Director, Executive Director, Head of Corporate Business, General Manager of Operations and ICT, the Treasurer and Assistant General Managers of Corporate Strategy and Human Resources. Senior departmental managers were also respondents as they are also members of the CBA's strategy formulation team. Therefore purposive sampling was used to include them as respondents. In CBA, strategies are normally formulated for a five-year period and all the senior managers are involved in the process, which takes a number of days to complete, and so the targeted response group was familiar with the information required. Primary data was collected through personal interviews guided by a structured questionnaire. This method helped extract some in-depth information through direct questions as the questionnaire by itself would not have been helpful.

Secondary data supplemented the primary data. Existing reports such CBA's audited financial report, its updated policy handbook, existing and previous strategic plans, its weekly market bulletin, the Central Bank of

Kenya's annual report on commercial banks' performance, economic survey reports, published journals and business articles.

Data Analysis

After collecting both primary and secondary data, it was analyzed through content analysis, through which detailed in-depth information from the qualitative data was obtained. All the information collected on strategic responses was analyzed qualitatively on the basis of the strategic variables observed.

Data Analysis and Interpretation of Results

Challenges and Opportunities Emanating from Changes in the External Environment

CBA faced a number of challenges as a result of changes in the regional business operating environment. All the respondents agreed that CBA faced a number of challenges as a result of changes in the environment and some of the main challenges they highlighted are as follows. The increased competitive environment was one of the major challenges CBA faced. Competition came not only from other regional commercial banks but also from micro-finance institutions and co-operative societies, as well as foreign exchange bureaux that have become a major competitor in foreign exchange dealings. Although CBA has created a market niche, composed of corporations and institutions, it has been facing a lot of competition from other commercial banks for the same market. Other commercial banks are now targeting the corporate and institutional market across the region, thus forcing CBA to aggressively compete to retain its market share and to attract more customers across the whole of the EAC.

Advances in ICT have been another challenge facing CBA and other players in the banking industry regionally, as these advances have been unpredictable. Over the last 10 years there has been a revolution in banking technology

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and CBA has had to re-evaluate its ICT system every now and then to accommodate the new developments. Internet banking, mobile phone banking, Automated Teller Machines (ATMs), which can accept both cash and cheque deposits from customers, have been some of the ICT developments that have forced CBA to review its strategies. These technological changes have had impact on CBA's operating environment and it has had to respond to these changes in order to remain competitive in a dynamic environment.

Changing customer preferences and increased awareness have been another challenge emanating from the external environment. The bank has been faced with the challenge of meeting its customers' changing expectations while at the same time maintaining or meeting its financial objectives. The products and services offered by almost every commercial bank are similar and every bank competes on customer service and innovation. This has made both existing and potential customers very particular when choosing a bank. CBA has been faced with the huge task of pleasing, retaining and attracting customers with varied preferences and tastes to counter the competition, while at the same time meeting its shareholders' expectation of profitability.

Ongoing regional economic integration is presenting both challenges and opportunities to CBA. Economic integration has provided greater opportunities for doing business by removing unnecessary customs requirements and other trade bottle-necks on member countries' borders. This has resulted in CBA expanding its business by incorporating clients in the regional market, but this has presented some challenges because the Bank has no branches in these countries, which makes it difficult for these clients to do banking transactions. One opportunity that has arisen for the Bank as a result of increased regional business is increased foreign exchange transactions, which is one of its key sources of revenue. There is also increased international trade financing for the Bank's corporate clients.

The growth in the number of international money transfers can be attributed to the improved regional business operating environment as a result of economic integration. CBA can anticipate more growth in its business as a result of the changing regional operating environment.

Strategic Responses Adopted By CBA

As a result of the changes in the operating environment, CBA has adopted some strategic responses that include regional expansion, market expansion and penetration, corporate restructuring aimed at regional positioning, improved ICT, research and development (R&D), financial management and human resource management.

Regional Expansion

In CBA's current five-year strategic plan, it plans to expand its operations to at least five East Africa countries from the current two. The Bank plans to venture into Rwanda, Uganda and South Sudan and establish at least one branch in these countries. Expansion is needed because of increased competition from other commercial banks that are expanding their branch networks in the EAC countries. There is also the threat of banks incorporated outside the region coming into the EAC market, which currently has more than 90 million bankable people.

As a result of customs harmonization and the removal of trade barriers in the EAC, there has been increased trading in the region, which has led to increased economic development, resulting in EAC residents' increased need for banking and other financial services. Mobility within the EAC has improved, whereby citizens from any community member country can easily move across other member countries' borders without being hindered by immigration rules and regulations. This mobility, especially for economic and business reasons, has forced banks to come up with ways of meeting

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their customers' demands across borders and this has meant that banks have had to *follow* their customers across the borders to meet their financial needs, while at the same time searching for new markets.

Market Expansion and Penetration

CBA is strategically expanding its market share across the EAC. This is because of the ongoing changes within the Community with most member countries' governments putting in place structures to attract foreign investment and encourage the growth of regional trade within the EAC. CBA is currently adopting a strategy for attracting middle-income individuals unlike before, when its target market was only high-income or affluent individuals. Due to the growing middle-income class across the region as a result of improved economic activities in EAC, CBA plans to tap into this class of customers across all EAC member countries, while at the same time increasing the number of branches in major towns in the EAC.

Corporate Restructuring & Re-branding

CBA did a lot of corporate restructuring, especially in 2011 and 2012, with the aim of creating a competitive edge not only in Kenya but also within the EAC. Because CBA has targeted both middle-income and high-income personal bankers as its market segment, it has expanded its personal banking business unit into a large strategic business unit. This unit has been further divided into two market areas, Platinum Banking for high net worth clients and Ordinary Banking for other clients. Each segment is headed by a senior manager who reports to the Assistant General Manager in charge of personal banking. This restructuring designed to enhance customer service efficiency has resulted in an increased number of personal banking clients and has also made it easier to ensure that, due to their financial and social status, individual high-income customers' expectations are met.

The organisational management model has also been changed at CBA. It adopted a new organizational management model with effect from 1st August 2012 in order to enhance its regional expansion. A new position of Group Managing Director has been created, who will oversee all the operations of the Bank in the EAC countries. Each country's operations will be headed by a Country Managing Director, who will report to the Group Managing Director. This restructuring is designed to ease regional expansion because it will give increased responsibility for all the operations in each EAC country. It will also reduce bureaucracy and improve the decision-making process in each country where CBA will open an office, thus making regional expansion and market penetration easier.

Information and Communication Technology

CBA has adopted a modern ICT system to increase the efficiency and effectiveness of its operations. Through its good ICT platform CBA has been able to achieve *branchless* banking through interconnectivity and decentralization of its core banking activities. This has meant that its customers receive an excellent service at any CBA branch, regardless of where they are within the EAC. In 2008 the Bank spent a huge sum of money on acquiring a new banking system, known as T24, which is internet based and is more efficient than the older system known as micro-banker that the Bank had used for almost a decade. The acquisition and implementation of a strong ICT platform is one of the advantages CBA is banking on for its effective and efficient expansion into the EAC market.

Research and Development

The primary aim of R&D is to come up with new products and services that meet customers' expectations and attract new ones. In the last three years, CBA has created an R&D team composed of various personnel

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from different departments. This team comes under a newly created department known as Project Management, whose key role is to coordinate various new projects to be implemented by the Bank, including regional expansion.

In order to come up with new products and services, CBA has initiated the innovative way of seeking ideas and suggestions from its staff. The Bank's management decided that, in order to obtain the best ideas for improving its overall efficiency and effectiveness, it needed to encourage the best brains in its staff to contribute some credible ideas gained from their experience both at work and from the social setup. It was agreed to have an e-mail address where staff could e-mail their innovative ideas for evaluation by the R&D team. Once received, the ideas are evaluated objectively by the R&D team and the credible ones are taken up for implementation. People who contribute credible and applicable or potentially usable ideas are awarded a prize.

To encourage staff to continue coming up with innovative ideas for the Bank's products or services, the management has included innovation as part of the performance target of each member of staff. During the annual performance appraisal an individual is rated according to the innovative idea presented, among other aspects of the performance management system.

Human Resources Management

CBA has been hiring qualified and highly skilled personnel to ensure that its investment in human resources remains one of its biggest strengths. Being employed by CBA is preferred by those who want to build a career in banking, and CBA has remained the employer of choice in the banking industry because it not only has a conducive working environment and

opportunities for training and development, but it also offers competitive remuneration and other employment benefits.

The Human Resource Management department has always had a great influence on strategic decision making, because CBA's human resources play a major role in achieving the company's goals and objectives, while at the same time creating a strong competitive edge in the industry. The proper training of staff, especially in areas where they have some weakness, and the provision of incentives and competitive salary packages have made CBA staff very loyal and they work extra hard in a very smart and intelligent manner to propel the Bank to higher levels.

The performance of each staff member is evaluated through a well formulated and structured performance management appraisal system, and those who have met their annual targets are awarded a bonus as well as promotion and an increase in salary. This is one of the main reasons why CBA's overall performance in the industry has been good.

Financial Strategy

CBA has used its financial strategy to increase its competitiveness in the industry and across the whole of the EAC. CBA's management meets frequently to analyse the various financial strategic options it may use to increase its market share and improve performance. The financial strategy has worked very well for CBA in the areas of lending, investing and managing costs. CBA has instituted lending procedures calculated to avoid instances of non-performing loans and bad debts. This has been achieved through a careful and objective risk analysis of the loan applicants. The Bank has adopted a policy of only investing in secure and less risky investment options, which is why it has mainly opted to lend to the government through Treasury Bonds and Bills.

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CBA has also introduced cost-cutting measures aimed at reducing its expenditure. Basically this involves cutting costs associated with staff expenses for taxis, and meals and overtime and inconvenience allowances, as well as the inefficient use of utilities to avoid unnecessary waste. CBA's management has put a policy in place to ensure that costs should only be incurred when they cannot be avoided, and authorization should be sought to avoid cases that are not economical.

Summary

From the analysis of the data, it was observed that CBA has adopted a number of strategic responses to changes in the external environment. The responses include regional expansion, market expansion and penetration, corporate restructuring, improving human resource management, and establishing the R&D department to carry out research and review products and services in order to meet customer expectations. CBA has also adopted a marketing system to reach its clients through the use of a modern ICT system that will facilitate regional expansion. As a result of increased competition in the banking industry, CBA is seeking to attract middle-income individuals and small and medium enterprises to increase its volume of business and ultimately its profitability.

In the process of implementing these strategic responses, CBA encountered a number of challenges, such as huge capital expenditure on the acquisition of a modern ICT system, corporate re-branding and regional expansion. Bureaucracy was a challenge, whereby the management could not implement some strategies that required a swift response because all the stakeholders needed to be involved and a consensus had to be reached. Resistance from some staff was encountered, especially when the decision to attract the middle-income group was reached. Some staff members were of the opinion that the Bank was losing its sense of direction, especially

with regard to its target market. Also some customers who wanted to maintain their esteemed position as members of the high net worth class were reluctant to accept the Bank's new strategy of going for the middle-income market. They felt that their status and the service offered to them would decline as a result of embracing the 'mass market'.

Conclusion and Implication

From the study it can be concluded that the Commercial Bank of Africa is strategically responding to changes in the regional business operating environment. The responses are varied and are continuously being undertaken, depending on the nature of change in the external environment. These responses were necessitated by increased competition from regional banks and micro-finance institutions that are offering banking-related products and services.

The ongoing integration of the East Africa Community is also presenting a good opportunity to expand business across the region. CBA is positioning itself to exploit this opportunity because most EAC member countries are establishing structures designed to improve the business environment and attract foreign investors into their country. Some key reasons for business expansion within the region are the greater size of the market because the population in the EAC is greater than that of individual member countries, the integration of customs formalities, the removal of trade barriers and tariffs that were making trade between countries difficult, the prospect of currency uniformity among EAC member countries and reduced immigration requirements for the citizens and residents of member countries that has favourably increased the movement of people and their goods across the region.

The findings of this study imply that the changing regional business environment, especially with regard to the integration of the economies of the EAC countries, cannot be ignored. Regional business managers must

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keep a watchful eye on the changing environment in order to adopt strategies that will sustain their business operations in the long run. The changing environment is creating challenges and threats to the profitability of some regional businesses while at the same time providing immense opportunities for the growth of businesses for those who are prepared to take up the challenge. Various business stakeholders, especially business directors and their management team, must strive to understand the changes that are taking place in the regional business environment. This is because the survival of their business in the long run is totally dependent on them being aware of the environment, as it is only this awareness that will help them develop both survival and competitive strategies.

Recommendations for Further Studies

This study was a case study on only one regional commercial bank, CBA. We recommend a survey on a number of other regional commercial banks in order to make a comparison. If a study were to be done on a number of other banks in the region, a conclusion could be drawn on whether strategic responses are generally being adopted by banks in the region and whether the responses adopted by a particular bank are specific to that bank only. If a study were to be done on a number of other banks in the region, it would help find out whether or not other banks are finding any business opportunities across the EAC region as a result of integration.

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