

**STRATEGIC RESPONSES BY NATIONAL INDUSTRIAL CREDIT BANK TO  
CHANGES IN ASSET BASED FINANCING SECTOR IN KENYA**

**DAMARIS NKIROTE**

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## DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

Signature .....Date.....

**DAMARIS NKIROTE**

**D61/61885/2010**

This research project has been submitted for examination with my approval as the University supervisors

Signature..... Date.....

**Dr. Vincent Nyasaka Machuki**

**Lecturer, School of Business**

**University of Nairobi.**

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## **DEDICATION**

I dedicate this research project to my family members. To my parents and siblings, your teachings and ceaseless support is always cherished. To my husband Maurice and son Reece Jay you are the pillar that I will always lean on, this project would not have been successfully completed without your enormous support, love and patience.

# TABLE OF CONTENTS

<b>DECLARATION</b> .....	ii
<b>ACKNOWLEDGEMENTS</b> .....	iii
<b>DEDICATION</b> .....	iv
<b>ACRONYMS AND ABBREVIATIONS</b> .....	vii
<b>ABSTRACT</b> .....	viii
<b>CHAPTER ONE: INTRODUCTION</b> .....	1
1.1 Background of the Study.....	1
1.1.1 Concept of Strategic Response.....	3
1.1.2 Asset Based Financing Sector in Kenya.....	4
1.1.3 The National Industrial Credit Bank Limited.....	5
1.2 The Research Problem.....	6
1.3 Research Objectives.....	8
1.4 Value of the study.....	8
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	10
2.1 Introduction.....	10
2.2 Theoretical Foundation of the Study.....	10
2.3 Concept of Strategy.....	12
2.4 Changes in Organizational Environment.....	13
2.5 Strategic Responses to Changes in the environment.....	15
2.6 Challenges in applying Strategic Responses.....	20
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b> .....	22
3.1 Introduction.....	22
3.2 Research Design.....	22
3.3 Data Collection.....	23
3.4 Data Analysis.....	23

<b>CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION</b> .....	25
4.1 Introduction.....	25
4.2 Responses.....	25
4.3 Asset based Finance at NIC Bank.....	26
4.4 Changes in Asset Financing.....	26
4.5 Strategic Responses adopted by NIC bank.....	28
4.5.1 Technology and Changes in Asset Financing at NIC.....	28
4.5.2 Diversification of Products.....	29
4.5.3 Operating Lease.....	30
4.5.4 Innovation as a Strategy in Asset financing.....	31
4.5.5 Strategic Partnership in Asset Financing.....	32
4.6 Challenges faced in applying Strategic Responses.....	32
4.7 Discussion.....	33
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND</b>	
<b>RECOMMENDATIONS</b> .....	36
5.1 Introduction.....	36
5.2 Summary.....	36
5.3 Conclusion.....	38
5.4 Recommendations for Policy and Practice.....	39
5.5 Limitation of the Study.....	40
5.6 Suggestions for Further Research.....	41
<b>REFERENCES</b> .....	43
<b>APPENDICES</b> .....	48
Appendix I: Introductory Letter.....	48
Appendix II: Interview Guide Questions.....	49

## **ACRONYMS AND ABBREVIATIONS**

**AM Bank** – African Mercantile Bank

**CBK** – Central Bank of Kenya

**EMI** – Equated Monthly Installment

**NBFI** – Non Bank Financial Institutions

**NIC** – National Industrial Credit bank

## ABSTRACT

The environment in which organizations operate is constantly changing and becoming more volatile and competitive. Banking industry has experienced a rapid growth in terms of asset financing products. This trend has triggered a lot of competition in the banking industry. NIC Bank was initially a non-financial organization specializing in industrial credit, therefore enjoyed a monopoly in the asset financing sector. However, organizations like the leasing companies, motor vehicle dealers have ventured into the sector and are offering asset financing too. For this reason NIC bank needs to rethink its strategy and come up with responses that will enable them continue to be the market leader in asset financing. This study was aimed at establishing strategic responses by NIC bank to changes in asset financing and the challenges faced when executing the strategic responses. The study employed a case study research design. The design was necessary because it brought out clearly an in-depth understanding of complex issues, experiences and new knowledge to what had already been known in previous studies. Since the design was a case study, census was used to have the entire population interviewed. Specifically, three staff from asset finance department, three from business banking, two from the debt management unit and another two from the customer service unit was involved to give necessary information. Primary sources of data was used in this study, this was carried out by use of interviews and various publications. Consequently, data collected was purely qualitative hence the main method used to analyze data was content analysis. From the findings, the study revealed that the bank had clear strategies to tackle strategic responses to changes in asset financing. The bank has integrated technology and innovation, diversification, strategic partnerships, effective operations, turnaround time, operating and finance leases amongst others. This study depicted the dynamic capability theory. NIC bank is interacting with a dynamic environment and they have been constantly changing to keep up with the environment. The study showed the organization has used various resources at their disposal in order to remain competitive. The study recommended that, it is very necessary for banks to understand the underlying sources of competitive pressure specifically on asset financing sector in order to formulate appropriate strategies and respond to competitive forces. It further recommended that the banks needs to look at what the competitors are doing to effectively design a strategy that relates the organization to its internal and external environment. The strategy should help banks to deal with future uncertainty by defining goal accomplishing procedures in asset financing. A cross sectional research is recommended so as to compare the strategies adopted by NIC bank and other Asset financing companies in Kenya.

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the Study**

The environment in which organizations are operating globally and locally is constantly changing with different factors influencing organizations (Abrahamson, 2000). Since the turn of the millennium, the general business environment has become more volatile, unpredictable and very competitive (Burke, Warner, & Trahan, 2000). The consumers have become more knowledgeable and their needs keep on changing.

Akingbola (2001) noted that industries are responding to customer's demand by becoming more innovative in their new ways of approaching the changing environment. Rapid technological change has created a new business environment where innovation has become a top competitive strategy. Therefore organizations need to respond to the ever changing environment so that they can continue being in business.

In the theory of open systems, (Bertalanffy, 2003) noted that all systems are characterized by an assemblage or combination of parts whose relations make them interdependent. The organization is constantly interacting with the environment by getting inputs from it and releasing the outputs to it. The environment is always putting pressure on the organization; however the environment also provides organizations with survival mechanisms. Therefore with the changes occurring in the environment, organizations need to respond appropriately in order to be able to survive.

Dynamic Capabilities Theory examines how firms integrate, build, and reconfigure their internal and external firm-specific competencies into new competencies that match their turbulent environment. The theory assumes that firms with greater dynamic capabilities will outperform firms with smaller dynamic capabilities. The aim of the theory is to understand how firms use dynamic capabilities to create and sustain a competitive advantage over other firms by responding to and creating environmental changes (Pearce & Robinson, 1997).

Environment is very unpredictable, it has changed in many ways causing organizations to rethink their strategy and respond accordingly. Factors like the competitive environment which includes competitors, strategic move and market signals; changes in industry structure, the change in technology, government regulation which affects the interest rates on asset finance loans, change in customer demands have greatly affected organizations initial strategies. Strategic responses are highly important elements of organizational success (Burnes, 2004). With all these changes in the organizational environment, asset finance sector has been highly affected. Even though NIC bank is highly regarded when it comes to asset financing sector, the changes in the environment have necessitated them to rethink their strategy in order to remain competitive.

### **1.1.1 Concept of Strategic Response**

Strategic reactions to the environment that an organization operates are crucial to success of any company. Every successful business has a plan and knows where it is heading in the future. Taking the time on an ongoing basis to review the environment and come up with ways of ensuring that the appropriate response is employed.

According to Porter (2008), it is evident that some companies are not able to satisfy long-term and ever-changing market needs and customers' expectations. To invest heavily into Research and Development, marketing and sales activities is the endeavor to bring new products to the global markets and materialize them properly. It can clearly be seen that the strategic response enables the companies develop new products in the long term thus promoting growth of the company.

According to Warucu (2001), companies endeavor to create common synergies and to better exploit their assets, knowledge, product life cycle and, moreover, to improve their strategic market positions. Thus, the most important and strategic activities of creating strategies for the companies are: products to gain market shares and to drive the sales growth; research and development, to create new products; markets, to create geographic and market expansion; marketing and sales activities, to compete on the global markets; financials, to create cost reduction synergies and investment capabilities. Strategic response has enabled organizations to gain market share thus improving on their profits, it enables organizations counter or beat competition. It enables organizations to come up with products that are in line with the current needs of the consumers.

### **1.1.2 Asset Based Financing Sector in Kenya**

There has been tremendous growth in the Kenyan banking industry. Changes in the Kenyan economy and Commercial Banks have not been spared from the impact of these changes. The banking sector in Kenya comprises 43 registered Commercial Banks that are licensed by the Central Bank of Kenya. According to customer surveys that have been carried out on customer satisfaction, clearly indicate that quality service delivery to customers by Commercial Banks in Kenya still has remained a challenge due to inappropriate strategies adopted. Adoption of effective strategies by Commercial Banks in Kenya in managing service quality will enhance organizational performance and market competitiveness.

Asset Based Financing (herein referred as Hire Purchase) is an agreement by which the buyer (Applicant/ Borrower) agrees to purchase a capital asset (motor vehicle, Equipment, machinery) at an agreed price and at an agreed rate of interest over a period of time by paying an equal amount per period, monthly, quarterly. This amount is known as an Equated Monthly Installment (EMI) if paid monthly as is common practice and is made up of both interest and principal repayment (Central Bank of Kenya Report, 2012.)

The demand for asset financing has been on the rise in recent times and many players have entered into the market thus giving rise to competition. The changes in the environment for instance high inflation putting pressure on interest rates, government regulation in regards to lending and changing customer needs has made many lenders to rethink the strategic changes that they need to make in order to stay afloat.

### **1.1.3 The National Industrial Credit Bank Limited**

National Industrial Credit Bank limited Bank popularly known as NIC Bank is a large financial services provider in East Africa. Headquartered in Nairobi, Kenya, the bank owns subsidiary companies in Kenya and a controlling interest (51% shareholding), in NIC Bank Tanzania, a commercial bank in neighboring Tanzania. In May 2012, NIC Bank opened a 100% subsidiary, NC Bank Uganda.

The bank was founded in 1959 as a joint venture by Standard Bank Limited and Mercantile Credit Company Limited, both headquartered in the United Kingdom at that time. NIC was initially a non-bank financial institution (NBFID). In 1971, NIC became a public company, by listing on the Nairobi Stock Exchange, where it still trades today under the symbol: NNIC. In 1995, the Central Bank of Kenya required all NBFIs in the country to either convert to fully fledged commercial banks or close shop ([www.nicbank.co.ke](http://www.nicbank.co.ke))

In 1997, NIC Bank merged with African Mercantile Bank Limited (AMBank), a Kenyan financial institution. In May 2009, NIC Bank acquired a 51% shareholding interest in Savings and Finance Commercial Bank, a small Tanzanian retail bank with approximately US\$30 million in assets and approximately US\$5 million in shareholder's equity at the time. In March 2011, Savings and Finance Commercial Bank rebranded to NIC Bank Tanzania. In January 2013 NIC Bank opened a subsidiary in Uganda, trading as NC Uganda. As of December 2012, NIC Bank's total asset base was valued at KES: 101 billion, shooting it to top position among Kenya's mid-sized lenders.

As at the same period NIC bank was controlling 4.32% of the market share. When it comes to the asset finance, NIC Bank has been recognized as the market leader with a market share of 20% in this segment. Motor vehicles, plant and machinery, specialized equipment, office equipments, contractor equipments, staff car schemes, school bus schemes, operating financial lease, line of credit for fleet buyers and agency purchase are among products offered under the asset finance.

Regardless of this position, NIC Bank is faced with several challenges from other key players in the asset finance industry locally and internationally. Competition and challenges in adjusting to changes in the business environment including new technologies and changing customer needs and wants are key challenges that drive this study.

## **1.2 The Research Problem**

Today's organizational environment has undergone tremendous changes characterized by globalization, competition, changing customer needs and wants, advance in business technologies and Global economic changes causing organizations to rethink their strategy. Ansoff(1987) argues that competition has forced many organizations to change their strategy in order to achieve their objectives and maintain competitive advantage. With the various changes in the environment, many financial organizations are finding themselves in difficult situations trying to maintain and improve their market share or even stay in business. They have come to realize that whatever use to work for them initially in terms of strategy cannot work anymore and therefore they have to change in order to respond to the environment.

Currently there are forty two licensed banks in Kenya most of which are offering asset financing. NIC Bank was initially a non-financial organization specializing in industrial credit, therefore enjoyed a monopoly in the asset financing sector. More so organizations like the leasing companies, motor vehicle dealers have ventured into the sector and are offering asset financing too. For this reason NIC bank needs to rethink its strategy and come up with responses that will enable them continue to be the market leader.

Several studies have been carried out in Kenya, addressing the aspects of strategic responses in various organizations. A study carried out by Mukiri (2012) on strategic responses to changes in the external environment: a case study of East Africa Breweries Ltd showed that strategic response is important in aligning the organization to the environment it is operating in. Mwanthi (2009) carried out a study on strategic response by BAT Ltd to the current environmental challenges, showed that strategic response is inevitable if at all organizations will survive the changing environment. A study by Oyoo (2002) indicated organizations face internal and external challenges during implementation stage of the strategic responses.

Another study carried out by Owiye (1999) on the impact of strategy response on performance of pharmaceutical companies identified that, organizations fail to achieve their objectives if the strategy is not institutionalized in the organizations. Various studies have also been done on NIC Bank. A study by Mwangi (2012) outlined the use of post bank agents as diversification strategy for NIC Bank. However, there has been no study focusing on the strategic responses by NIC Bank in asset financing sector in Kenya.

Organizations are different in terms of management style, in that the management style applicable in one organization may not apply in another and thus strategic response adopted ought to be different. Organizations also face challenges from the micro environment which affect their strategic response. More so, challenges in the macro environment affect organizations differently. It is in the light of this a research need aroused to establish the responses currently being adopted by NIC Bank in relation to changes in the asset finance sector. What are the strategic responses adopted by NIC Bank to changes in the asset finance sector?

### **1.3 Research Objectives**

The study was guided by the following research objectives:

- i. To establish strategic responses adopted by NIC Bank to changes in asset financing sector in Kenya
- ii. To determine the challenges faced in applying the strategic responses

### **1.4 Value of the study**

This study will help in understanding the importance of dynamic capability theory. This study will help to explain why firms build, configure and build both internal and external competences into new competencies to match the ever changing environment. The study will help understand why organizations with higher dynamic capabilities are more competitive than those with less dynamic capabilities. This study will also enable propelling of the open systems theory, this study will open understand that organizations do not operate in a vacuum but rather depend on very highly on the environment in order to survive. The environment has provided organizations with mechanisms for them to thrive.

The findings of this study would also be beneficial to the Government of Kenya policy makers on issues pertaining to the operations of asset financing in Kenya for an accelerated economic development. The findings of this study, policy makers may be able to use the findings in informing their decisions on policy formulation in asset based financing through the findings of this study, future researchers and academicians would find source of reference on asset financing and also establish other areas of future studies in as far as asset finding is concerned because this study suggested areas of further studies in chapter five.

To the Management of the banking sector, the findings of this study would inform the management of commercial banks in Kenya on how formulate strategies that will help organizations thrive in the dynamic environment. Through the findings of this study, the managers in these banks would be able to formulate strategies that will boost the performance of their banks. Through this study, the management is able to anticipate resistance to strategic implementation and come up with strategies to overcome challenges in implementing their strategies

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter undertakes to review literature relevant to this research with the aim of getting views and opinions on strategies for asset financing to enhance performance of commercial banks in Kenya. Various literature from scholarly articles which include books, journals and publications at the NIC have been reviewed to aid understanding to the concepts and variables under study. Specifically, the chapter outlines the theoretical foundation, concept of strategy, strategic responses and the relationship between strategic response and changes in asset financing in commercial banks.

### **2.2 Theoretical Foundation of the Study**

In open systems theory, an open system is a system that constantly interacts with the environment in its surroundings. This theory was first developed by biologist Ludwig von Bertalanffy between 1930 and 1950 (Bastedo 2004). Open systems involve exchange of energy, material transfers, information, people and capital with the environment. Bastedo (2004) noted that open system is a concept for organizations that highly depend on the environment. He continued to argue that while environment contains other organizations that continue to exert various forces on the economic, political and social nature, it also provide resources that sustain the organization and cause it to change and survive.

Organizations depend very heavily on the environment; and they make changes that will enable them thrive in the environment that they are operating in. The controllers of open environment pay attention to the external environment, internal environment and customer needs and reactions (Hax and Wilde, 2003). Open systems devise many ways to

accomplish a goal with different conditions and operations. In this system, business depends on employees, suppliers, customers and competition for research causing lost production and profits (Griffin 1999). In open systems, the organization does not operate in a vacuum but rather interacts with the environment. Organizations are affected by the environment they are operating in. environment may affect the organization both positively and negatively

Dynamic capabilities theory examines how firms integrate, build, and reconfigure their internal and external firm-specific competencies into new competencies that match their turbulent environment (Hax and Wilde, 2003). The theory assumes that firms with greater dynamic capabilities will outperform firms with smaller dynamic capabilities. The aim of the theory is to understand how firms use dynamic capabilities to create and sustain a competitive advantage over other firms by responding to and creating environmental changes (Berthoud, 2000).

Capabilities are a collection of high-level, learned, patterned, repetitious behaviors that an organization can perform better relative to its competition. Organizational capabilities are called 'zero-level' (or zero-order) capabilities, as they refer to how an organization earns a living by continuing to sell the same product, on the same scale, to the same customers (Pearce and Robinson, 1997). Dynamic capabilities are called 'first-order' capabilities because they refer to intentionally changing the product, the production process, the scale, or the markets served by a firm.

An organization has dynamic capabilities when it can integrate, build, and reconfigure its internal and external firm-specific capabilities in response to its changing environment (Peter and Olson, 2005). Whereas organizational capabilities have to do with efficient exploitation of existing resources, dynamic capabilities refer to efficient exploration and implementation of new opportunities. A firm has a capability if it has some minimal ability to perform a task, regardless of whether or not that task is performed well or poorly. However, on average, firms have to use their capabilities in order to sustain their ability to use them (Pearce and Robinson, 1997).

A dynamic capability is the capacity of an organization to purposefully create, extend, and modify its resource base. The resource base of an organization includes its physical, human, and organizational assets. Dynamic capabilities are learned and stable patterns of behavior through which a firm systematically generates and modifies its way of doing things, so that it can become more effective (Peter and Olson, 2005).

### **2.3 Concept of Strategy**

Strategy helps to position a firm in the wider external environment. It also defines the obligation of the firm to its stakeholders (Johnson and Scholes, 1999). Strategy helps to define the specific business of the firm in terms of products, markets and geographical scope. Strategy can also be considered as a firm's game plan that enables the firm to create competitive advantage (Pearce and Robinson, 2000). The firm needs to look at itself in terms of what the competitions are doing. This is critical because firms in the same industry tend to compete for the same customers.

Strategy is used as a yardstick to measure firm's performance and to define its relationship with the external environment. Strategy needs to take into consideration both the immediate and remote environment. A strategy is designed to effectively relate the organization to its internal and external environment (Greenstein, Shane and Sango 2008). Backer (1980) argues that the major significance of strategy is that it gives organizations a framework for developing abilities for anticipating and coping with change in the environment. Further indicates that a strategy helps an organization to deal with future uncertainty by defining goal accomplishing procedures.

According to Pearce and Robinson (2005) operational strategies are concerned with how parts of an organization deliver effectively the corporate and business level strategies in terms of resources, process and people. Companies adopt strategies directed at improving, the effectiveness of basic operations within the company, such as production, marketing, materials management, research and development, and human resources. According to Kottler (2000) strategies may be focused on a given function, as often as not they embrace two or more functions and require close co-operation among functions to attain companywide efficiency, quality innovation, and customer responsiveness goals.

## **2.4 Changes in Organizational Environment**

In the recent times competition has been very intense. With new entrants in the market, the organizations have to come up with new ways of maintaining their market share, and thus their need to respond to the changes so as to gain competitive advantage (Pearce and Robinson, 2005). The goal of business strategy is to achieve a sustainable competitive advantage against competitors in the market. Porter (2004) identified two basic types of

competitive advantage: cost advantage and differentiation advantage. When a firm sustains profits that exceed the average for its industry, the firm is said to possess a competitive advantage over its rivals. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself (Carrier, 2000).

According to Ohaga (2004), technology has changed tremendously such that as the business enterprise turns direction every time there's a new invention. The customer needs keeps on changing in line with the technology and therefore organizations need to change in order to provide relevant products to the consumers. Companies will overcome the challenge of service breakdown among customers by adopting effective strategies in the turbulent business environment (Carrier, 2000).

Organizations respond strategically to external pressures in many ways ranging from outright resistance through disingenuous support, attempting to influence the environment to accept goals sought by the organization, to complying by making internal changes (Ohaga 2004). The relationship between an organization and environment are reciprocal; an organization's existence may be dependent on its environment and vice versa. There is a continuum of influence in organization/environment relations ranging from the organization's domination of its environment to its domination in the environment (Berthoud, 2000).

Strategy lies in environmental scanning which refers to the process of monitoring and evaluating the business environment. It helps in adjusting the business tactics in case of a change in the business environment (Carrier, 2000). The scope of the research is inclusive of the macro environmental forces because the macro forces are not company specific thus it allows the findings of the research to be generalized. Additionally, the macro forces have a wide scope and tend to influence the micro environment of the business; therefore, it seems advisable to focus the research on the role of macro environmental forces to reduce the accumulation of irrelevant data (Berthoud, 2000).

## **2.5 Strategic Responses to Changes in the environment**

Strategic responses involve long-term direction which organizations adopt to gain competitive edge in the dynamic business environment by using resources and core competencies to fulfill stakeholder expectations (Greenstein, Shane and Stango, 2008). A company's strategic responses consist of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position (Johnson, 2002).

These strategies provide opportunities for the organization to respond to the various challenges within its operating environment. Firms also develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Njoroge 2003). The competitive aim is to do a significantly better job to its customers. The success of every organization is determined by its responsiveness to the customer needs (Kotler and Keller, 2005). Cost Leadership Strategy. Cost Leadership Strategy helps organizations to offer products or services at the lowest cost in the industry (Michael and David, 1997).

The cost leadership is driven by company efficiency, size, scale, scope and cumulative experience. A cost leadership strategy aims to exploit scale of production, well defined scope, producing highly standardized products and using high technology (Johnson, 2002). Differentiation strategy is to provide a variety of products, services, or features to consumers that competitors are not yet offering or are unable to offer. This gives a direct advantage to the company which is able to provide a unique product or service that none of its competitors is able to offer (Berthoud, 2000).

Berthoud further affirmed that differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. Successful differentiation is achieved when a company accomplishes either a premium price for the product or service, increased revenue per unit, or the consumers' loyalty to purchase the company's product or service (Njoroge 2003). Differentiation drives profitability when the added price of the product outweighs the added expense to acquire the product or service but is ineffective when its uniqueness is easily replicated by its competitors.

Innovation Strategy is aimed at leapfrogging other market players by the introduction of completely new or better products or services. This strategy is typical of technology start-up companies which often intend to "disrupt" the existing marketplace, obsoleting the current market entries with a breakthrough product offering (Kotler and Keller, 2005). It

is harder for more established companies to pursue this strategy because their product offering has achieved market acceptance. Organizations have to keep on reinventing themselves and keeping in trend with the current technology, for this reason many companies invest heavily in their research and development department to achieve such statuses with their innovations.

Operational effectiveness strategy is to perform internal business activities better than competitors, making the company easier or more pleasurable to do business with than other market choices (Makau 2009). It improves the characteristics of the company while lowering the time it takes to get the products on the market with a great start (Carrier, 2000). The resource-based view as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal (Mwailu and Mercer, 1993). To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources be heterogeneous in nature and not perfectly mobile.

Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 1991). If these conditions hold, the bundle of resources can sustain the firm's above average returns. The organization looks at its resources to determine whether they are valuable, rare, in-imitable, and non-substitutable, this way the organization can attain competitive advantage (Makau 2009).

Strategic responses help organizations to achieve economies of scale in manufacturing, marketing, Research and Development and distribution thus increased profits and Strategies enable organizations to expand their market share in the domestic and international markets (Greenstein, Shane and Stango, 2008). Organizations justify capital outlay through global markets. Companies will overcome the challenge of service breakdown among customers by adopting effective strategies in the turbulent business environment. Due to stiff competition from new entrants in the sector and changing customer needs, organizations should adopt effective strategies geared towards quality service delivery among customers in order to remain competitive (Aziz, 2007).

The competitive aim of strategic response is to do a significantly better job of providing what customers are looking for, thereby enabling the company to earn a competitive advantage and outsmart rivals in the market place (Thompson, 2003).The core of a company's strategy consists of its internal initiatives to deliver satisfaction to customers but also includes offensive and defensive moves to counter the maneuvering of rivals, actions to shift resources around to improve the firm's long term competitive capabilities and market position, and tactical efforts to respond to prevailing market conditions., customers will choose which offering to accept on their perception of value-for-money (Greenstein, Shane and Stango, 2008).

Organizations may apply decisive strategic responses to changing environment through making dynamic moves to mitigate the consequences of the environmental changes. Ansoff and McDonnell (1990) noted that strategic responses involve changes in the

firm's strategic behaviours to assure success in transforming future environment. Pearce and Robinson (2005) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. The environment in which organizations operate is very dynamic and putting pressure on the organizations. For this reason, organizations have to respond to the said environmental changes so as to remain competitive and ensure their survival. Therefore strategic response is a reaction to what is happening in the environment of organizations.

All organizations lend themselves to the external environment, which is highly dynamic and continually posing challenges as well as opportunities. Firms therefore need to develop capabilities to manage threats and exploit emerging opportunities. Pearce and Robison (2005) point out that this calls for a proactive approach to business and the formulation of strategies that constantly match capabilities to the environment. The environment in an industry has great influence on the growth, survival and profitability of firms.

According to Kotler (2000) to survive and prosper in an industry, a firm must meet two criteria; first, it must supply what customers want and second, it must survive the competition. He is of the view that it is very necessary for firms to understand the underlying sources of competitive pressure in its industry in order to formulate appropriate strategies and respond to competitive forces.

## **2.6 Challenges in applying Strategic Responses**

Organizations are faced with various challenges when implementing their strategic responses. During last century organizations focused on long-term planning (Thompson, 2003). Long-term planning supposed that external and internal environment will remain stable for long period of time and thus they made plans for long duration. Today it is clear to the managers and entrepreneur's that environment can change at any point of time and their plans should follow a strategy that includes contingency planning too. Coming up with strategies in order to cope with the environment is very crucial for any organization, however a good strategy can only be termed okay after implementation. Organizations should clearly deal with aspects that hinder strategy implementation.

In so doing, they fail to incorporate the internal factors and external factors through SWOT analysis as well as other tools to evaluate environmental challenges that influence their activities (Kangoo 2006). The most significant factors that influence strategic management practice of organizations include; technological, economic, global, political and legal environment, bank structure, bank resources and socio-cultural environment (Kotler and Keller, 2005).

Downes (2001) noted that execution obstacles that companies run into fall into two categories; problems in the internal environment and the outside forces. These internal and external issues are influenced by extent in which the company is flexible to launch strategic response initiatives successfully. Eisenstat (2000) found out that ineffective senior management, unclear strategies and conflicting priorities and poor coordination across functional boundaries as key to failure in response implementation. The internal

issues include staff resistance with the parties involved to have the status quo. Organization's culture could cause problems when effecting strategic response. Some companies are risk averse while others are risk inclined. Companies that are not keen in taking risk may have problems in effecting the strategic response as they are keen on maintaining a status quo.

Strategic response fails when there is inability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Effective nonprofits are mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable (Kangoo 2006). Creating flexible, high-performing, learning organizations is the secret to gaining competitive advantage in a world that won't stand still (Thompson, 2003).

Resistance from the stakeholders also affects strategic response implementation. The employees wanting to stick to the status quo, for the fear of the unknown affects strategic response application. (2005) survey concluded that in order improve execution, the organization needed to have adequate resources, the communication of the strategy needs to be clear all around the organization and that everyone needs to be put on board. Welbourne (2005) noted that habits and past experience reflects on the new strategy, therefore habits that are not in agreement with responses needs to be relooked at.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter presents a description of how the study was approached. That is the research design, how data was collected and the data analysis techniques that was adopted in analyzing the collected data in order to generate the findings in the study. It provides this by giving detail discussions that cover such areas as; research design, population of the study, sampling size, the data collection instrument and how data was analyzed and data interpretation is detailed here below.

### **3.2 Research Design**

Kothari (2004) defines a research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The study employed a case study research design. The design was necessary because it brought out clearly an in-depth understanding of complex issues or objects and extended experience and new knowledge to what had already been known in previous research.

Case study emphasized detailed contextual analysis of a limited number of events or conditions and their relationships; it also emphasized the contextual analysis by limiting the research to a single firm and hence allowed for in-depth probing into the subject matter. Since a research design adopted was a case study, census was used to sample the entire population and subject them to the study. The reason was that they are few and believed to be the key informants in the provision of relevant information to the study.

### **3.3 Data Collection**

Primary sources of data was used in this study, and collected from interviewees by use of interview guide as the main instruments of data collection (See appendix ii). Interviewing was considered an appropriate method of qualitative research because of its ability to generate honest opinion and genuine conversation between interview and participants. Secondary data was also gathered from bank journals and financial reports on asset financing to NIC Bank. Permission to access office circulars, strategic plans, files and manuals and other relevant documents was initiated through the Head of Asset Finance to other Business Branch Heads.

### **3.4 Data Analysis**

Familiaet *al.* (2003) defined data analysis as a process of data collection and analysis of qualitative data that involves three concrete sub-process of data reduction, data display drawing and unifying conclusions. In this study, data collected was purely qualitative hence the main method that was used to analyze data was content analysis. Kombo and Trump (2006) argue that content analysis examines the intensity with which certain themes have been used and systematically describes the form or content of written or spoken material.

Content analysis technique was used to analyze the collected data. By breaking the content of the material into a meaningful and pertinent unit of information certain characteristics of the message was analyzed and interpreted. The researcher examined both the positive and negative themes that were used during the interview process to draw a reconstruction and conclusion concerning the strategic responses by NIC Bank to

changes in the asset financing sector in Kenya. This approach of analyzing data is used to interpret meaning from the content of text data and, hence, adhere to the naturalistic paradigm. In this case, findings were based on the interviewees' arguments, opinions, and ideas with regard to strategic responses on asset financing.

## **CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents analysis and findings of the data on the relationship between strategic responses and the changes in assets financing in NIC bank. Since this study adopted qualitative approach, it was necessary to analyze collected data qualitatively. Specifically, narrative analysis and thematic formats were used to generate these findings. The findings that are presented in this chapter were based on the objectives of the study. The study had two main objectives, however for the purpose of elaboration; this chapter presents the findings under subsections that were derived from the two main objectives of the study. This allowed reporting various aspects that are core to the variables under study.

### **4.2 Responses**

The interviews were aimed at collecting data from the head of asset finance department, three from business banking, two from the debt management unit and another two from the customer service unit. However, there was a challenge in the scheduling of interview sessions for the entire sample. This forced the researcher to turn to solely to secondary data specifically, bank journals and reports, media publications and various Internet searches on the business process management implications of strategic responses to changes in the asset financing to NIC Bank.

### **4.3 Asset based Finance at NIC Bank**

From the findings, it was clear that NIC bank is rated the best in asset based financing. It provides plenty of finances for the following assets both to individual and corporate and business organizations: motor vehicles, PSV vehicles, Trailers, Contractor equipments, office equipments, staff car loan schemes, school bus schemes, distributor vehicle loan schemes, agency purchase, plant and machinery, tractors and related implements. It was also found that NIC bank has prospered in asset financing due to its unique offers that hosts such benefits has; payments in convenient installments, simple documentation, quick turnaround time of 24 hours, approvals in 12 hours and including insurance premium financing for the assets purchased.

According to the head of asset financing department at NIC, is that the perceived benefits that asset based financing has brought to their customers has been overwhelming, it include; the provision give flexible collateral requirements and the asset that a customer buy can be part of the security. There are convenient installments for the assets, allowing ease of cash flow management, and that there are no hidden costs such as legal fees and stamp duty. In addition, there is quick processing and disbursement, flexible repayment terms and more so, loan amount depends on ability to repay.

### **4.4 Changes in Asset Financing**

Asset financing is a form of credit where the financial institution extends a loan to a borrower based on the fixed asset investments which is used as security for the advanced loan. Asset financing provides some form of capital for organizations to expand their businesses and grow. From the findings, it was asserted that there are major changes in

asset financing sector in Kenya. The bank has seen the consumer needs change from time to time. Initially individuals or companies would request financing of motor vehicles but the bank has seen the demand change to technology equipments like IT servers, specialized equipments like oil drilling machines. Competition has also increased over time, initially NIC Bank had a monopoly in the asset financing sector, but we have seen other players invade the market including banks and leasing companies.

The technology also has changed rapidly and NIC bank needs to change so as to keep up with the changes. Government regulation also has changed over time. With the new regulation of the consumer protection and the regulation that banks are required to disclose the total cost of credit to their consumers, the banks have to change their way of doing things so as to remain competitive as consumers are more knowledgeable

Most banks have device the best strategies to reap from this initiative, these include putting in place proper policies and regulations, adopting new technologies for example, ICTs, formulation of risk mitigation strategies for instance in cases of terror attacks, emphasizing on marketing and customer awareness. Asset financing has become a major competitive ground for banks as they seek to increase their interest income-based revenue. Banks are competing on interest rates, collateral arrangements and longer repayment periods to persuade customers to take up this line of credit.

#### **4.5 Strategic Responses adopted by NIC bank**

NIC bank has demonstrated that in the wider offering that banks make to their customers, it chooses to pursue aggressively asset financing as its niche. This strategic choice placed NIC bank in a very strategic position as it controls 30% of assets in the country. The decision by NIC bank to get into asset financing does not however prevent the bank from offering other superior products as the bank boasts of a robust cash management as well as corporate offering which demonstrates that the bank is employing differentiation strategy. According to findings, there are a number of strategies or solution that have been implemented to allows NIC customers to expand and modernize their business by acquiring assets for immediate use, without committing valuable capital or savings right away. They include the following:

##### **4.5.1 Technology and Changes in Asset Financing at NIC**

One other issue was to determine how NIC bank has integrated technology with the asset finances. From the findings, it was found that NIC banking operations has been significantly influenced by evolution of technology. The growing applications of computerized networks to banking reduced the cost of transaction and increased the speed of service substantially. The nature of financial intermediaries has made NIC bank improve its production technology by focusing on distribution of products.

In other words, the evolution of banking technology has been mainly driven by changes in distribution channels as we see evidence from over-the counter (OTC), automated-teller-machine (ATM), phone-banking, tele-banking, PC-banking and most recently internet banking (IB). All these innovations have revolutionized ways of providing and

accessing banking services at NIC. Such provisions as; online applications, mobile applications, e-money transfers, loan processing systems and instant notification provisions are the major integrated technologies and changes in asset financing sector. NIC Bank is credited for incorporating technology in many aspects their banking. According to one interview, NIC bank was the first bank in Kenya to have an application by the name 'NIC NOW'. This mobile application assist the customers conduct their banking at the click of their phones.

The asset financing sector has adopted a straight through process (STP), where they limit physical movement of documents. The applications are done at the branch and scanned directly to the credit department. This has prevented delays caused by transportation of documents to the head office. Notably is that individuals are able to download loan application forms online, execute them and drop them at their nearest branches. This way customers do not have to walk into branches to enable them apply for the asset financing.

#### **4.5.2 Diversification of Products**

NIC bank has diversified the products they are offering under asset financing to include commercial vehicles like the prime movers and trucks, public service vehicles, trailers and related equipments, school buses, office equipments like computers, printers and servers, industrial plant and machinery, contractor equipments like bull dozers and excavators and specialized medical and laboratory equipments. *“Diversification has enabled the bank to be the number one choice when it comes to asset financing.”* Says one of the interviewees.

Diversification has provided the bank with the opportunity to explore new avenues of business. The bank assurance department, helps the borrowers get insurance for their assets and in case the customers are not able to pay the premium at one go, the bank through the insurance premium department pays the premiums on behalf of the borrower who in turn pays the bank in up to ten months installments. The borrower then does not have to worry about how the asset is being insured. The diversification has given the bank a competitive advantage in the asset financing sector.

#### **4.5.3 Operating Lease**

This is suitable for customers who want to use but do not wish to own the assets. It is serviced through a leasing agreement. The benefits of this provision include: the lessee owns the asset, lease rentals include interest, capital and VAT and more so, the client claims VAT input credits based on the lessor's invoice subject to normal VAT rules. VAT is charged on each lease rental (including capital & interest).

In operating lease, the bank and dealers partner to offer corporate clients options for acquisition and leasing of fleets for effective cost management. The lessee is able to use the product without owning it. This way the lessee only pays monthly rentals for an agreed period of time and continues to use the product, after the agreed period the leased asset reverts to the dealer who then decides whether to sell the asset or continue leasing it out. One interviewee clarified that *“Many large organizations are going the leasing way to avoid depreciation costs in their books, apart from the leasing of motor vehicles, this product has gained popularity even with hospitals, supermarkets, construction*

*companies*”. With the normal asset based financing, the bank pays a certain portion of the cost while the borrower pays the other portion. This affects the borrowers cash flow as they are required to raise a deposit in order for the bank to finance. Looking at the leasing the lessee the client does not need to raise the minimum deposit as the asset does not belong to them. Once the facility is approved, the borrower is given the asset after which he will start to make monthly installments.

#### **4.5.4 Innovation as a Strategy in Asset financing**

One other issue was to establish how the bank has used innovation as a strategy to adapt to changes in the asset financing. It was found that NIC bank has adopted the diversification of asset finance products to include hospital equipments, operating financial lease, agency purchase, vehicle and equipment leasing and including motor bike financing provision. More so, it was clear that NIC banks has revolutionized its banking operations by engaging mobile and Internet banking and straight through process.

*“The innovation strategy has seen the bank become a one stop shop,”* says one of the interviewee who is the customer service and operations manager in the asset financing department. When a customer visits the bank for a motor vehicle financing, the motor vehicle will require insurance therefore the bank offers insurance premium financing where they pay the vehicle insurance directly to the insurance company and then allow customer to make monthly payments to the bank. The customers get automatic alerts on the outcome of their application. The customers have various options of which to repay their loans. Including issuing of postdated cheques, standing orders, direct debits or through their mobile phones using the pay bills.

#### **4.5.5 Strategic Partnership in Asset Financing**

The other issue was to determine strategic partnership in asset financing at NIC. From the findings, NIC bank boasts of a greater percentage of customers despite having a few branches. The fact that the banks has employed a seamless partnership with motor vehicle car dealers has strengthened its asset finance offering to the extent that even the areas where NIC is not existing, its customers find it easy to take up loans.

This strategic positioning has given NIC bank an edge above competition as customers find the bank's products accessible and closer to their reach. NIC bank has also partnered with leasing companies to provide leasing financing to their customers. The bank has also partnered with post bank which has the widest branch network in the country. This way it gives its customers to repay their loans effectively and conveniently as NIC Bank has a limited branch network. One interviewee noted that the partnership has given the bank a wider coverage and that the asset financing customers were able to repay their loans more conveniently through the wide network.

#### **4.6 Challenges faced in applying Strategic Responses**

The commercial banks have gained varied competitive advantage by application of the various strategic alternatives in asset financing as mentioned above. More so, Kenya's financial system is by far the largest and most developed in East Africa and its stability has improved significantly over the past years. However, there are some challenges in dealing with strategic responses that specifically relate to asset financing.

These challenges include: employee resistance – it becomes difficult to bring everybody on board on issues touching strategic responses; Inadequate information – there are no clear mechanisms or procedures that allow credible information in regard to strategic responses. This pose challenges in strategy implementation and response to it. A cost implication is also a factor; success on strategy implementation depends on resource allocation. This has been a challenge to allocate enough budgets and any other necessary requirements that are essential for the success of any strategy implementation.

Lease financing, now more than ever, is an attractive option. To capitalize on this renewed opportunity, leasing and financing companies must be able to offer the right products and provide appropriate levels of service quickly and efficiently. Reliance on aging legacy systems makes it difficult for many leasing companies to take a competitive advantage. The effect this has on many organizations is that operations can be fragmented, cumbersome and difficult to maintain. Other challenges include; inadequate planning, change management, training requirements and poor communication strategies.

#### **4.7 Discussion**

From the findings in this study, NIC banking operations has been significantly driven by external factors like customer preferences, policies and technology etc. The growing applications of computerized networks for instance has reduced the cost of transaction and increased the speed of service substantially. Hax and Wilde, (2003) noted that organizations depend very heavily on the environment; and they make changes that will enable them thrive in the environment that they are operating in. This is in-line with Open system theory that emphasizes that the controllers of open environment pay attention to

the external environment, internal environment and customer needs and reactions. The organizations are very keen on what is happening in the environment, as it affects how they operate. In this case, the nature of financial intermediaries, customer expectations and technological innovations has made NIC bank improve its production and services by focusing on distribution of products.

According to Head of Asset Finance, factors such as high demand by customers, technological changes, competition from other banks, influence strategic responses adapted by NIC bank to changes in asset financing. These factors can be converted to an opportunity, so its influence on asset finance depends on the strategies used by the bank to respond to the environment. This concurs with Munene (2010) that asset finance mostly comprises of an agreed percentage of total asset cost with remaining repayments done by installments which factor in the capital value and accrued interest rates (Munene, 2010).

Ansoff and McDonnell (1990) concurs with the above findings by predominantly asserting that strategic responses involve changes in the firm's strategic behaviours to assure success in transforming future environment and to gain competitive advantage. This aspect is related to Dynamic capabilities theory that has examined how firms integrate, build, and reconfigure their internal and external firm-specific competencies into new competencies that match their turbulent environment. According to Berthoud (2003) this theory assumes that firms with greater dynamic capabilities will outperform firms with smaller dynamic capabilities. This theory illustrates how firms use dynamic capabilities to create and sustain a competitive advantage over other firms by responding to and creating environmental changes.

It was found that NIC bank has adopted the diversification of asset finance products to include hospital equipments, duty free units, operating financial lease, agency purchase, vehicle and equipment leasing and including motor bike financing provision. This concurs with Njoroge (2003) argument that such strategies provide opportunities for the organization to respond to the various challenges within its operating environment. And that firms adopt diversification to enable them seize strategic initiatives and maintain a competitive edge in the market.

More so, Johnson (2002) and Carrier (2000) asserted that company's strategic responses consist of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. Consequently, improves the characteristics of the company while lowering the time it takes to get the products on the market with a great start. In general, Kenyan banks have been forced to develop strategies to help them adapt to the local and global business environment. It is always perceived that banks needs to be aware of these changes in order to adapt to them and perform better.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents a summary of findings to the study, and in the process, draws conclusions based on the finding of the study. Given the nature of the topic under study, there were a lot of findings that has come out of this study. It is therefore better to focus on the key issues particularly in this chapter. The chapter subsequently, makes recommendations arising from the conclusions of the study. Finally the chapter makes suggestions for further research in relation to certain specific areas of this study.

### **5.2 Summary**

The purpose of the study was to establish the strategic responses by NIC bank to changes in asset financing sector in Kenya. The study reveals that the bank had clear strategies to tackle strategic responses to changes in asset financing. It was found that NIC banking operations has been significantly influenced by evolution of technology. The growing applications of computerized networks to banking reduced the cost of transaction and increased the speed of service substantially. The nature of financial intermediaries has made NIC bank improve its production technology by focusing on distribution of products.

One other thing was that NIC bank has employed quality service delivery in asset financing; and specifically, the bank has adapted strategies directed at improving, the effectiveness of basic operations within the company, such as diversifying the products, innovations, customer care, marketing, materials management, research and

development, human resources, partnerships and information technology strategies. The findings in this study concur with (Equity 2007) that found out that bank intends to reinforce its institutional structure by ensuring that financial resources, information technology, human capital, infrastructure and other core resources are a level needed to respond both to internal and external challenges.

From the findings, asset finance at NIC has device six main strategies; technology, diversification, strategic partnerships, turnaround time, operating and finance leases amongst others. It involves customers acquiring assets through installment payments. In addition, NIC bank has adopted the diversification of asset finance products to include hospital equipments, vehicle leasing and including motor bike financing provision. More so, it was clear that NIC banks has revolutionized its banking operations by engaging mobile and Internet banking and straight through process. The fact that the banks has employed a seamless partnership with motor vehicle car dealers has strengthened its asset finance offering to the extent that even the areas where NIC is not existing, its customers find it easy to take up loans.

It was found that factors such as high demand by customers, technological changes, competition from other banks, consumer and market dynamics influence strategic responses adapted by NIC bank to changes in asset financing. In general, NIC bank has gained varied competitive advantage by application of the various strategic responses to changes in asset financing. Due to the successful execution of the strategies the bank has recorded a strong growth in profitability in asset financing products.

One other objective of this study was to determine challenges related to strategic responses in asset financing. It was clear that there are number of challenges, however, NIC bank has put measures to mitigate these challenges. There is code of conduct, practices and regulatory restrictions that can mitigate the risks that result from the challenges. For example, fund and firm-level investment risk management is intended to ensure that investments conform to investment mandates and that credit quality, asset concentrations, volatility, leverage, and other issues are appropriately managed. Independent risk managers can reduce the risk of overextending portfolio mandates when they are empowered to challenge investment decisions.

### **5.3 Conclusion**

From the findings it is clear that organizations do not operate in a vacuum but rather keeps on interacting with the environment. The study concurs with the open systems theory that relates organization to their operating environment. The external environment may be exacting pressure on the organization but also helps them to come up with strategies that make them survive the turbulent environment. The study has also shown the organization's ability to comply with the dynamic capabilities theory. It is through the application of the dynamic capabilities theory that NIC bank has come up with strategic choices that has placed it in a very competitive position as it controls 30% of assets financing sector in the country. Indeed, there are a number of strategies or solution that have been implemented to allow NIC customers to expand and modernize their business by acquiring assets for immediate use, without committing valuable capital or savings right away. They include the following; technological adoptions, diversifications of the products/services, operating leases, innovation initiatives and strategic partnerships.

There are various changing in the environment and organizations need to come up with ways of maintaining or improving their market share and thus the need to respond to the changes so as to gain competitive advantage (pearce and Robinson, 2005). Initially NIC bank enjoyed a monopoly in regards to asset financing but other banks, motor dealers invaded the market and NIC bank had to change in order to continue being the market leader. As a result, many banks in Kenya need to emulate what NIC bank is doing through replication. The findings proved the fact that NIC Bank has a well-defined strategic response to changes in asset financing. The strategies being used by NIC Bank have strong leaning to the blue ocean strategy. The study showed that the strategic responses being executed by NIC Bank has helped it to outperform its peers in regard to asset financing. The management of NIC bank has expressed satisfaction with the strategy as it has helped them to grow well so far.

#### **5.4 Recommendations for Policy and Practice**

The study recommends that it is very necessary for banks to understand the underlying sources of competitive pressure specifically on asset financing sector in order to formulate appropriate strategies and respond to competitive forces. From the findings, it was clear that NIC has prospered in this area due to proper policies and procedures in asset financing.

The study further recommends that the banks needs to look at what the competitors are doing to effectively design a strategy that relates the organization to its internal and external environment. The strategy should help an organization to deal with future uncertainty by defining goal accomplishing procedures. It is therefore important for

banks to regularly conduct market research to ascertain need of its customers and to cope with dynamism in business environment. It is also important for the organizations to analyze challenges affecting their strategy implementation and address them so that they can be successful in their environment. They also need to keep on revising their strategies so that they can cope up with the competitive environment.

Involving the entire organization in implementation of the strategy would enable the bank overcome the challenges it is facing in applying their strategy. This will help the management reduce resistance when it comes to strategy implementation. From the findings, it was clear that NIC has experience challenges in implementing strategic responses in asset financing. It is therefore, necessary formulate mitigation strategies that will eliminate such kind of challenges that may hinder growth within the organization.

More so, research is needed to establish the opinion of the line and functional managers towards the bank competition strategies on asset financing. There seems to be some setbacks with the expansion strategy in relation to asset financing; a study needs to be taken to find out why this is the case to help refine the strategy.

### **5.5 Limitation of the Study**

While conducting this research, the interviewees especially staff members could give responses which are biased due to fear of higher authorities. Specifically, there was lack of response from some interviewees forcing to resort to secondary data whose authenticity may be questioned, as it may be have been reported out of context.

Resources were more challenge in undertaking this study as well as time. Secondary data, which included Internet sources, may not have given honest answers to the strategic responses to changes in asset financing. The quoted interviewees could not explain the reason for the responses or statements they gave and therefore to arrive at the conclusions made in the study reference had to be made to the background events and the literature reviewed.

The strategies responses that had been used by the bank were so diverse that the research had to limit the scope due to limitations of resources. Despite these challenges, the researcher had to device solutions and made adequate provisions to reduce these challenges.

### **5.6 Suggestions for Further Research**

This study recommends that further studies be done on the influence of governments' policies on asset financing in Kenya. This will help bring to the fore the influence of government policy on asset financing in Kenya. Future studies should also be done on the challenges in asset financing so as to develop ways in which these challenges can be dealt with. In addition, the same kind of study is recommended for study but with a different approach like using surveys and involving all the commercial banks in Kenya. This will enable to provide diverse and rich information good enough for making conclusion based on the variables under study.

A quantitative research approach is recommended too for the same kind of the study and more probably the use of questionnaires as a solution to the concealment of information by the respondents. Consequently, quantitative analytical tests like descriptive tests, simple regression, least square regression can be used to estimate the effect and relations between independent variables under study.

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## APPENDICES

### Appendix I: Introductory Letter

**C/O University of Nairobi,  
P. O Box 30197-00100,  
Nairobi.  
Kenya.**

**TO WHOM IT MAY CONCERN**

**Dear Respondent,**

**REF: MBA RESEARCH STUDY**

I am a student pursuing a Master's degree in Business Administration at the University of Nairobi. In partial fulfillment of the requirements to the award of the Master's degree, I am required to carry out a study on "**Strategic responses by NIC Bank to changes in the asset financing sector in Kenya**"

The choice is based on your strategic importance in the achievement of organizational goals hence improved performance of the company in terms of efficiency and effectiveness.

I kindly request your assistance by availing time to respond to the questionnaire. A copy of the final report will be made available to you at your request. The information given will be treated with utmost confidentiality for the purpose of this study only. Your assistance will be highly appreciated.

**Thank you in advance.**

**STRATEGIC RESPONSES BY NIC BANK TO CHANGES IN ASSET FINANCING  
SECTOR IN KENYA**

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**APPENDIX II: INTERVIEW GUIDE QUESTIONS**

**INTERVIEW GUIDE**

1. How do you understand the bank's position in the asset based financing sector in Kenya?
2. What do you think are the major changes in the asset based financing sector in Kenya?
3. How has NIC Bank integrated technology and the changes in the asset finance sector
4. How do you perceive diversification and how has it been applied in your company in relation to changes in the asset financing sector
5. How effective is NIC Bank in its operations
6. How has the bank used innovation as a strategy to adapt to changes in the asset financing sector in Kenya?
7. How has NIC Bank utilized its resources to adopt to changes in the asset finance sector
8. How do you perceive strategic response applied by NIC Bank with regard to Service delivery?
9. How to do you relate cost of operation and the need to adapt to changes in the asset financing sector in Kenya.
10. Does the organization invest in training of staff regarding the changes in asset financing
11. How does the company view Strategic partnerships in regards to asset financing?
12. How frequent do you develop new asset based financing products in the market?
13. What are the factors that influence strategic responses adapted by NIC bank to changes in the asset financing sector in Kenya?
14. What are the major challenges experienced when adopting the strategic responses to asset

financing by NIC Bank.

15. How best do you think NIC Bank can overcome the challenges it faces in implementing the strategic responses.

**THANK YOU FOR YOUR TIME AND COOPERATION**