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STRATEGIC RESPONSES OF BANKS TREASURY DEPARTMENTS TOWARDS A COMPETITIVE ENVIRONMENT AND ITS EFFECT ON PROFITABILITY: A CASE STUDY OF BANK OF AFRICA

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Abstract

Purpose: The purpose of this study was to determine the effect of strategic responses of banks treasury departments on the profitability in Bank of Africa.

Methodology: The research was carried out through descriptive survey design. The population of the study was 1040 employees of the Bank of Africa. A sample size of 81 respondents was selected through convenience sampling. The study used primary data specifically the study used a questionnaire as the preferred data collection tool. The questionnaire had close ended questions only. This study used the quantitative method of data analysis. Quantitative methods of data analysis included inferential and descriptive statistics. The rationale for using quantitative methods for data analysis was because some of the data results required quantitative interpretation.

Results: Results led to the conclusion that CRM strategy enables the banks to analyze the customer profiles. It was inferred that CRM strategy helps banks to identifying the banks most profitable customer and prospects and that CRM enables the bank to provide better customer service.

Unique contribution to theory, practice and policy: The study recommends that banks should emphasize customer relationship by investing in a customer relationship management system. Specifically, banks should invest in a robust Information technology system as this can certainly help companies to create satisfied and loyal customers.

Key words: *Strategic responses, treasury, competitive environment*

1.0 INTRODUCTION

1.1 Background of the Study

To succeed in an industry, an organization must select a mode of strategic behavior which matches the levels of environmental turbulence, and develop a resource capability which complements the chosen mode Acur & Englyst, (2006), Manimala (2011) and Aboagye-Debrah (2007) identified three distinct modes of strategic behavior. First, was the mode that consists of organizations thatrash and are driven by their environment. Second is the pre-emptive group that seeks to anticipate future events and prepare for them while the third group exhibits the most aggressive stance; apart from seeking to identify future scenarios they work to bring these about. The classification of strategic behavior is supported by several theories which include the resource dependence theory, the institutional theory and a continuum of theories that border between resource dependency and institutional theories. In line with these theories, one can identify the context and content in which certain strategic responses and behaviors are appropriate (Debrah, 2007).

According to this view, the primary resources regarding a firm's competitive advantage include its physical assets, financial capital, human resources, organizational systems, technology and knowledge, and intangible assets (e.g., trademark, patent, copyright, and goodwill). In particular, Barney (1991) indicates that a firm's sustained competitive advantage results from its strategic resources that are valuable, rare, imperfectly imitable, and non- substitutable. This view focuses on a firm's internal attributes, especially its strategic resources (Peteraf & Barney, 2003).

Strategy is the management's game plan for strengthening the performance of the enterprise. It is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations (business growth, financial performance and market leadership). It is a framework that guides those choices that determine the nature and direction of an organization (Hooley, Peircy, & Nikolaud, 2008).Without a strategy, the management has got no roadmap to guide them.

Competition within the banking industry is becoming fiercer. Continued existence of a business is dependent on implementation of proper operating business strategies. Within the volatile and unpredictable financial market, banks' ability to make strategic decisions relies heavily on whether they can efficiently interpret information so as to maintain customer loyalty, reduce operational costs, maximize wealth and maintain a sustainable growth rate (Sun, 2010). Competition in the business world today is not limited by boundaries; large multinationals cannibalize small companies' customers forcing them to exit the market.Global economic contagion in the world today has resulted to the failure of many companies. The most important weapon in today's financial market is information and without information and proper strategies any business can fail (Reinartz, 2004).

Financial performance of commercial banks between 2001 and 2010 largely remained mixed. While ROA has remained generally flat, the return on equity ROE has consistently increased from 16% in 2001 to a maximum of 28% during the period under investigation. Flamini, McDonaldand Schumacher(2009) and other several studies have shown that bank profitability is influenced by bank-specific factors and industry specific factors.

Bank of Africa (BOA-KENYA) is an all public bank providing banking services to corporate, SME and retail clientele. The bank commenced operations in Kenya in July 2004, after acquiring the Kenyan branch of Credit Agricole Indosuez. The bank has 19 branches in Kenya of which 8 in Nairobi (Uhuru Highway, Monrovia Street, Ruaraka, Nairobi, Westlands, Ngong Road, Embakasi and River Road), 1 in Kisumu ,1 in Nakuru ,1 in Eldoret ,1 in Bungoma,1 in Kericho , 1 in Rongai, 1 in Meru, 1 in Kisii, 1 in Thika and 2 in Mombasa(Mombasa, Changamwe).

All the branches are fully networked and operate in real time, enabling customers transact in any branch across the country. The Bank of Africa vision is: To be the preferred bank to our chosen market and the mission is to: to serve our customers with efficiency and courtesy, to contribute to the development of all our stakeholders, to optimize the growth of Group Bank of Africa through synergies and common development plans and to promote the growth and stability of the economies that we operate in (BOA Financial Statements, 2012).

1.2Statement of the Problem

In an environment that is very competitive, organizations in the profit making and not for profit have to position themselves strategically over other players in the industry that they compete with. In order to thrive in an industry, an organization must choose a mode of strategic behavior which matches the levels of environmental turmoil, and build up a resource facility which complements the selected mode (Acur & Englyst, 2006). Various authors have identified the modes of strategic behavior that may be adopted by organizations. These include Manimala (2011) and Aboagye-Debrah (2007) who identify three modes of strategic behavior namely; reactive, preemptive and aggressive. A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company.

Several studies on strategic responses of organizations have been conducted. These studies include, Oliver (1991) who offered a typology of strategic responses that vary in active organizations: from resistance, passive, conformity to proactive manipulation. However, the study did not address the strategic responses that are adopted by Bank of Africa in Kenya and the impact of such strategies on profitability. Munir, Baird and Perera (2011) conducted a study on the strategic responses adopted by the banking sector but failed to address the strategic responses adopted by BOA towards competitive environment in Kenya and the effect of such strategies on profitability.

1.3 Objective of the Study

The objective of this study was to determine the effect of strategic responses of banks treasury departments on the profitability in Bank of Africa.

2.0 LITERATURE REVIEW

2.1 Empirical Studies

Faems, et al. (2005) lists the common benefits from employee training: increased innovation in strategies and products, increased job satisfaction and morale, increased capacity to adopt new technologies and methods, increased motivation, reduced employee turnover and increased efficiencies in processes resulting in financial gain. Training should be precise to the needs of an organization for value addition. Lack of right training can make employees the organization's biggest liability. On the other hand, effective training can make the employees become a firm's biggest asset (Bartram & Gibson, 2008). Rosner (2009) adds another constituent for success which is support after training. He states, "The most successful programs teach workers in new behaviors and then teach managers to support employees as they apply learning daily (Rosner, 2009, p.43). Support and approval from management can significantly enhance training results. In conclusion, training is not always the answer, and when it is the answer, it has to be the right training.

Studies on employee engagement (Tower Perrin, USA 2003, 2007) linked the same to customer impact and financial results. They suggested that there exists a close relationship between high levels of employee engagement and lower staff turn-over rates, higher customer satisfaction and loyalty. The need to create development and career growth opportunities, appropriate leadership styles and work – life balance were deemed important to attract, retain and engage employees.

Employee empowerment is crucial enhancing employee engagement, customer love and loyalty to organization products, organization growth and business profitability. The Gallup Organization (2004) noted that there exit crucial linkages between employee engagement, customer love and loyalty to organization products, organization growth and business profitability. The study by Gallup Organization (2004) compared bottom 25 percent and top 25 percent stores in terms of employee engagement, customer love and loyalty. The used a set of growth indicators such as sales, customer complaints and turnover and concluded that stores in the bottom 25 percent had underperformed significantly in the three indicators of growth, that is, sales, customer complaints and turnover. The international Survey Research (ISR) 2005) also found corroborating evidence of the link between employee empowerment, employee engagement, customer loyalty and business growth and profitability and this implied that organization can only reach their full growth potential by emotionally engaging employees and customer(ISR, 2005).

Ott(2007) corroborated the work of Gallup Organization (2004) and noted that publicly traded organization with highly empowered and engaged employees were also likely to have high Earning Per Share(EPS). A comparison between competing firms in an industry showed that firms with four engaged workers for every disengaged worker reported a 2.6 times higher EPS growth as opposed to a firm that had a less than one engagement ratio for every disengaged worker. These findings were validated through monitoring the industry variability by comparing each company with its competitor in the same industry. To add to that, the trends of EPS over time were recognized. This assisted in removing outliers as would have been the case if the observation were only for one year.

Ferrel and Hartline (2005) observe that employees are central to an effective CRM and as such firms must manage its relationships with their employees if they have any hope of fully serving customer needs and that this is especially important in firms where employees are the eyes of customers. Ferrel and Hartline therefore underscored that it is the significance of this that BillCooney, Deputy CEO of USAA, American property and casualty insurance firm with over $60 billion asset management portfolio with almost 100% of customer retention and consistently ranked among 100 best companies to work for in United States remarked that:"If you don't take

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care of the employees, they cannot take care of the customers. We give employees all they need to be happy and absolutely enthralled to be here. If they are not happy, we will not have satisfied customers in the long run. We must have passion for customers, if we don't we are in the wrong business''

2.2 Theoretical Framework

2.2.1 Institutional Theory

Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding credit reference bureaus and their environment: the organization being dependent on external resources and the organization's ability to adapt to or even change its environment (Doug & Scott, 2004).The environment is conceptualized as the ―organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values(Doug & Scott, 2004).

Meyer and Rowan (1991), DiMaggio and Powell (1983) affirm that the institutional environment can strongly dictate the growth of formal structures in an organization, as opposed to market pressures. Innovative structures that advance technical efficiency in early-adopting organizations are legitimized in the environment. Normally, these innovations reach a level of legitimization when failure to adopt them is seen as "irrational and negligent" (or they become legal mandates). In such cases existing organizations adopt the structural form irrespective of whether it improves efficiency.

2.2.2 Resource Dependency Theory

The failure of the institutional theory to fully explain the dependency of organization on external resources and the organization's ability to adapt to or even change its environment leaves rooms for a better theory, the resource dependency theory. Resource dependence theory has dealt more aggressively with these two issues. It proceeds from the indisputable open-systems proposition that organizations are not able to internally generate all the resources and/or functions required to maintain themselves and therefore must enter into exchange transactions and relations with elements in the environment to ensure a stable flow of resources and services. Further, resource dependence theory provides a wide range of possible adaptation strategies. However, resource dependence theory does not consider the issue of social and cultural mood in the organizational environment, which is an issue that is addressed by institutional theory (Pfeffer and Salancik, 1978).

2.2.3 Agency Theory

Agency theory addresses the Agency issue in which one party (the principal) delegates work to another (the agent), who performs that work (Jensen & Meckling, 1976). There exists an agency relationship between individuals when the actions of one individual affect both his welfare and that of another person in an explicit or implicit contractual relationship. The agent is the individual who undertakes the actions and the principal is the person whose welfare (utility), measured in monetary terms, is affected by the agent's actions (Akaranga, 2010).

The principal's problem is consequently to design an incentive contract that induces the agent to undertake actions that will maximize the principal's welfare. However, both the principal and agent are confronted with uncertainty which appears in various ways. To start with, the principal is not informed about actions undertaken by the agent or information held by the agent. This state of uncertainty, caused by the agent holding information, is termed as asymmetric information (Artley, 2001).

Second, the agent is not sure about the outcomes of his actions. For the principal, this latter phenomenon manifests itself more precisely in the fact that the principal is uncertain about the causality between agent's actions and the outcomes(United Nations, 1999)

ICT deployment may reduce the asymmetric information that leads to agency problems. This state of uncertainty and the resulting state of asymmetric information that exists between the principal and his agent impose certain constraints which complicate the forming of the contract (Akaranga, 2010)

2.2.4 Systems Theory

Systems theory springs from biology and its content free and applicable to many fields of study. Systems theory can be defined as a working hypothesis, the main function of which is to provide a theoretical model for explaining, predicting, and controlling phenomenon (Bertalanffy, 1962). System theory may explain the need to deploy an ICT system that would improve the working and coordination between elements in the organization system.

3.0 METHODOLOGY

The research was carried out through descriptive survey design. The population of the study was 1040 employees of the Bank of Africa. A sample size of 81 respondents was selected through convenience sampling. The study used primary data specifically the study used a questionnaire as the preferred data collection tool. The questionnaire had close ended questions only. This study used the quantitative method of data analysis. Quantitative methods of data analysis included inferential and descriptive statistics. The rationale for using quantitative methods for data analysis was because some of the data results required quantitative interpretation.

4.0 RESULTS AND FINDINGS

4.1 General Information

This section presents the general information of the respondents such as gender, level of education and length of employment.

4.1.1 Gender of the Respondents

The study sought to find out the gender of the respondents. The majority of the respondents were male (66%) followed by female (34%). The findings are presented in Figure 4.1. The findings imply that the bank is a male dominated field. According to Ellis, Cutura, Dione, Gillson, Manuel and Thongori (2007), in spite of women being major actors in Kenya’s economy, and notably in agriculture and the informal business sector, men dominate in the formal sector citing the ratio of men to women in formal sector as 74%:26%.

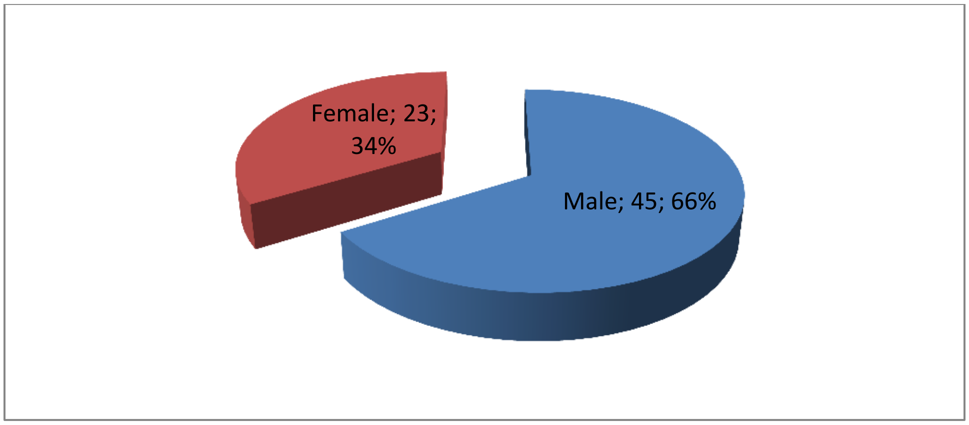

Figure 4.1: Gender of the Respondents

4.1.2 Level of Education

The study sought to find out about the education level of the respondents. Study findings in Figure 4.2 indicate that 82% of the respondents had attained university level or post graduate level of which 59% had reached university level. The findings imply that the respondents had high level of education in this sector and perhaps this observed level of education may have had a bearing on the quality of our responses.

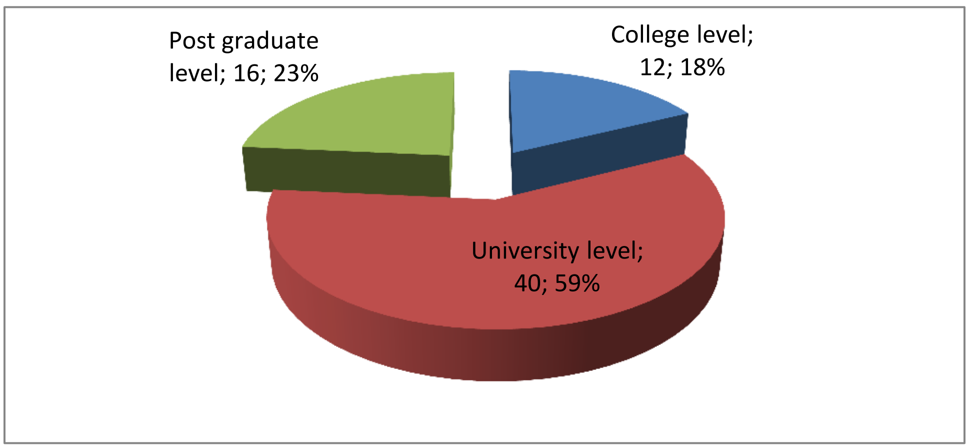

Figure 4.2: Level of Education

4.1.3 Length of Employment

The study sought to find out the number of years that the respondents had been in current employment. Figure 4.3 indicated that a majority of employees (65%) had worked for a period between 6 to 10 years and 20% had worked for a period between 2 to 5 years. The finding implies that the respondents were appropriate and may impact positively on the coherence of the data obtained as they had worked for the Banks long enough for them to be well aware of the effects of strategic responses on profitability of the banks under study.

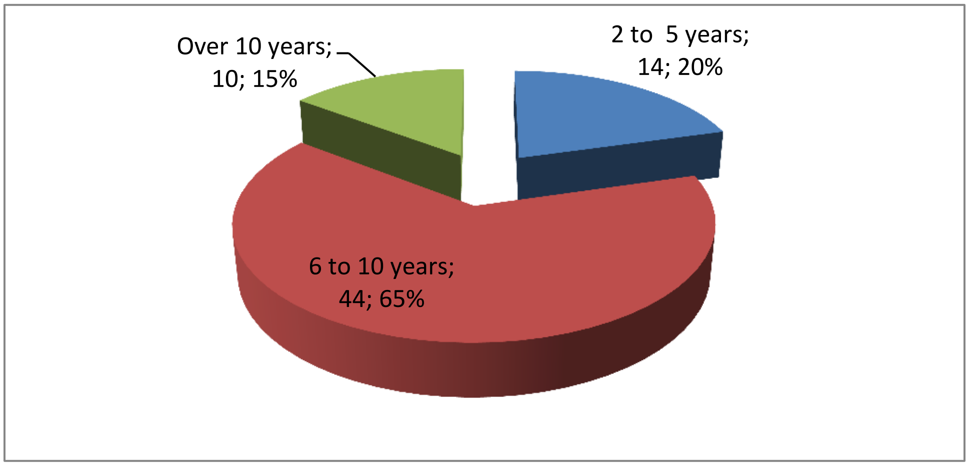

Figure 4.3: Years of Service

4.2 Profitability of Banks

The study sought to determine the profitability of banks. The results were presented as follows.

4.2.1 Increase of Employees

The respondents were asked if the bank has experienced an increase in employees over the last 5 years. A majority (48.5%) agreed while another 23.5% strongly agreed bringing to a total of (72%) of those who agreed. fourteen point seven percent strongly disagreed, 10.3% disagreed and 2.9% were neutral. The results are presented in Table 4.1.

Table 4.1: Increase of Employees

Statement		Frequency	Percent
The bank has experienced an increase in employees over the last 5 years	Strongly disagree	10	14.7%
	Disagree	7	10.3%
	Neutral	2	2.9%
	Agree	33	48.5%
	Strongly agree	16	23.5%

4.2.2 Increased Profitability

The respondents were asked to indicate if the bank's profitability has increased over the last five years. Forty eight point five percent of the respondents strongly agreed while 30.9% agreed bringing to a total of 79.4% agreed. Ten point three percent strongly disagreed, 4.4% disagreed and 5.9% were neutral. Results are presented in Table 4.2 below.

Table 4.2: Increased Profitability

Statement		Frequency	Percent
The bank's profitability has increased over the last five years	Strongly disagree	7	10.3%
	Disagree	3	4.4%
	Neutral	4	5.9%
	Agree	21	30.9%
	Strongly agree	33	48.5%

4.2.3 Better Profitability than Peers

The study sought to find out whether the bank profitability is better compared to its peers, 51.5% strongly agreed while 35.3% agreed bringing to a total of 86.8% of those who agreed that the bank's profitability is better compared to peers. Seven point four strongly disagreed, 1.5% disagreed and 4.4% were neutral. The results are presented in Table 4.3.

Table 4.3: Better Profitability than Peers

Statement		Frequency	Percent
The bank profitability is better compared to peers	Strongly disagree	5	7.4%
	Disagree	1	1.5%
	Neutral	3	4.4%
	Agree	24	35.3%
	Strongly agree	35	51.5%

4.2.4 Profit is a Key Indicator of Performance

The respondents were asked if profit was a key indicator of performance in their bank. A majority (60.3%) agreed and another 35.3% strongly agreed bringing to a total of 95.6% of those who agreed. Two point nine percent of the respondents were neutral and 1.5% disagreed. The study findings are presented in table 4.4.

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Table 4.4: Profit is a Key Indicator of Performance

Statement		Frequency	Percent
Profit is a key indicator of performance in our bank	Strongly disagree	1	1.5%
	Disagree	0	0.0%
	Neutral	2	2.9%
	Agree	41	60.3%
	Strongly agree	24	35.3%

4.2.5 Profitability and Market Share

The respondents were asked to indicate whether the bank profitability has led to an increase in the market share of the firm. A majority of 55.9% of the respondents agreed and another 22.1% strongly agreed bringing to a total of 78% of the respondents of those who agreed, 8.8% strongly disagreed while 8.8% disagreed and 4.4% were neutral. The results are presented in Table 4.5 below.

Table 4.5: Profitability and Market Share

Statement		Frequency	Percent
The bank profitability has led to an increase in the market share of the firm	Strongly disagree	6	8.8%
	Disagree	6	8.8%
	Neutral	3	4.4%
	Agree	38	55.9%
	Strongly agree	15	22.1%

4.2.6 Profitability and Dividends

The respondents were asked to indicate if the bank profitability has led to an increase in the dividends in the firm, a majority (52.9%) of the respondents agreed and another 25% strongly agreed bringing to a total of 77.9% of those who agreed. Ten point three percent disagreed while 7.4% strongly disagreed and 4.4% of the respondents were neutral. The results are presented in Table 4.6

Table 4.6: Profitability and Increased Dividends

Statement		Frequency	Percent
The bank profitability has led to an increase in the dividends in the firm	Strongly disagree	5	7.4%
	Disagree	7	10.3%
	Neutral	3	4.4%
	Agree	36	52.9%
	Strongly agree	17	25.0%

4.2.7 Marketing Strategies Put in Place

The respondents were asked to indicate whether the bank has put in place marketing strategies to increase the profits of the bank, forty five point six of the respondents agreed and another 35.3% strongly agreed bringing to a total of 80.9% of those who agreed. Five point nine percent strongly disagreed, while another 5.9% disagreed and 7.4% were neutral. The results are presented in Table 4.7

Table 4.7: Marketing Strategies Put in Place

Statement		Frequency	Percent
The bank has put in place marketing strategies to increase the profits of the bank	Strongly disagree	4	5.9%
	Disagree	4	5.9%
	Neutral	5	7.4%
	Agree	31	45.6%
	Strongly agree	24	35.3%

4.3 Employee Empowerment Strategy and Profitability

The first objective of the study was toinvestigate the effect of employee empowerment strategy on the profitability of Bank of Africa. The results were presented as follows.

4.3.1 Induction Training

The respondents were asked to indicate whether every new employee receives induction training, 54.4% of the respondents strongly agreed and 26.5% agreed bringing to a total of 80.9% of those who agreed. Thirteen point two percent disagreed while 1.5% strongly disagreed and 4.4% of the respondents were neutral. The results are presented in table 4.8 below.

Table 4.8: Induction Training

Statement		Frequency	Percent
Every new employee receives induction training	Strongly disagree	1	1.5%
	Disagree	9	13.2%
	Neutral	3	4.4%
	Agree	18	26.5%
	Strongly agree	37	54.4%

4.3.2 Learning about the Duties of the Job is Included in the Induction Training

The respondents were asked if learning about the duties of the job was included in the induction training, forty four percent of the respondents agreed and another 22.1% strongly agreed bringing to a total of 66.2% of those who agreed. Nineteen point one percent of the respondents disagreed while 5.9% strongly disagreed and 8.8% of the respondents were neutral. Results are presented in table 4.9 below.

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Table 4.9: Learning about the Duties of the Job

Statement		Frequency	Percent
Learning about the duties of the job is included in the induction training	Strongly disagree	4	5.9%
	Disagree	13	19.1%
	Neutral	6	8.8%
	Agree	30	44.1%
	Strongly agree	15	22.1%

4.3.3 On the Job Training

The respondents were asked to indicate if on the job training was important and effective in improving employee performance. Table 4.10 indicates that 44.1% of the respondents strongly agreed and another 30.9% agreed bringing to a total of 75% of those who agreed. Ten point three percent of the respondents disagreed while 8.8% strongly disagreed and 5.9% were neutral. Results are presented in Table 4.10 below.

Table 4.10: On the Job Training

Statement		Frequency	Percent
On the job training is important and effective in improving employee performance	Strongly disagree	6	8.8%
	Disagree	7	10.3%
	Neutral	4	5.9%
	Agree	21	30.9%
	Strongly agree	30	44.1%

4.3.4 Compensation Package

The study sought to find out whether the employees were satisfied with the compensation package offered in the bank. A majority (54.4%) of the respondents strongly agreed and another 26.5% agreed bringing to a total of 80.9% of those who agreed, 7.4% strongly disagreed and another 7.4% disagreed. Only 4.45 of the respondents were neutral. Results are presented in Table 4.11 below.

Table 4.11: Compensation Package

Statement		Frequency	Percent
Employees' are satisfied with the compensation package offered in the bank	Strongly disagree	5	7.4%
	Disagree	5	7.4%
	Neutral	3	4.4%
	Agree	18	26.5%
	Strongly agree	37	54.4%

4.3.5 Satisfaction with Reward Motivation

The respondents were asked to indicate if the employees' are satisfied on reward motivation granted by the bank, forty two point six percent of the respondents agreed and another 42.6% strongly agreed bringing to a total of 85.2% of those who agreed. Ten point three percent of the respondents were neutral and only 4.4% disagreed. Results are presented in table 4.12 below.

Table 4.12: Employee Satisfaction on Reward Motivation

Statement		Frequency	Percent
Employees' are satisfied on reward motivation granted by the bank	Strongly disagree	0	0.0%
	Disagree	3	4.4%
	Neutral	7	10.3%
	Agree	29	42.6%
	Strongly agree	29	42.6%

4.3.6 Employee Satisfaction on Working Environment

The study sought to find out if the employees' are satisfied on working environment and opportunities offered in the bank, thirty six point eight percent of the respondents agreed and another 36.8% strongly agreed bringing to a total of 73.6% of those who agreed. Seventeen point six percent of the respondents disagreed and 8.8% were neutral. Results are presented on Table 4.13 below.

Table 4.13: Employee Satisfaction on Working Environment

Statement		Frequency	Percent
Employees' are satisfied on working environment and opportunities offered in the bank	Strongly disagree	0	0.0%
	Disagree	12	17.6%
	Neutral	6	8.8%
	Agree	25	36.8%
	Strongly agree	25	36.8%

4.4 Customer Relationship Management and Profitability

4.4.1 CRM strategy enables the banks to analyze the customer profiles

The study sought to find out whether the CRM strategy enables the banks to analyze the customer profiles, thirty six point eight percent of the respondents agreed and another 35.3% strongly agreed bringing to a total of 72.1% of those who agreed, 14.7% disagreed and 10.3% were neutral. Only 2.9% of the respondents strongly disagreed. Results are presented on Table 4.14 below.

Table 4.14: CRM strategy enables the banks to analyze the customer profiles

Statement	Frequency	Percent

CRM strategy enables the banks to analyze the customer profiles	Strongly disagree	2	2.9%
	Disagree	10	14.7%
	Neutral	7	10.3%
	Agree	25	36.8%
	Strongly agree	24	35.3%

4.4.2 Identification of Most Profitable Customers

The respondents were asked if CRM strategy helps banks to identifying the banks most profitable customer and prospects. A majority (54.4%) of the respondents strongly agreed and another 35.3% agreed bringing to a total of 89.7% of those who agreed, 5.9% were neutral and 2.9% disagreed. Results are presented in table 4.15 below.

Table 4.15: Identification of Most Profitable Customers

Statement		Frequency	Percent
CRM strategy helps banks to identifying the banks most profitable customer and prospects	Strongly disagree	1	1.5%
	Disagree	2	2.9%
	Neutral	4	5.9%
	Agree	24	35.3%
	Strongly agree	37	54.4%

4.4.3 Better Customer Service

The study sought to find out if CRM enables the bank to provide better customer service to their clients, 39.7% of the respondents agreed and another 29.4% agreed bringing to a total of 69.1% of those who agreed, 14.7% strongly disagreed and 11.8% disagreed. Only 4.4% of the respondents were neutral. The study findings are presented in table 4.16 below.

Table 4.16: Better Customer Service

Statement		Frequency	Percent
CRM enables the bank to provide better customer service	Strongly disagree	10	14.7%
	Disagree	8	11.8%
	Neutral	3	4.4%
	Agree	27	39.7%
	Strongly agree	20	29.4%

`4.4.4 CRM Enables the Bank Make Call Centers more Efficient

The respondents were asked to indicate if CRM enables the bank make call centers more efficient, a majority (54.4%) of the respondents agreed and another 26.5% strongly agreed bringing to a total of 80.9% of those who agreed. Eight point eight percent of the respondents disagreed while 5.9% were neutral and 4.4% strongly disagreed. Results are presented in Table 4.17 below.

Table 4.17: CRM Enables the Bank Make Call Centers more Efficient

Statement		Frequency	Percent
CRM enables the bank make call centers more efficient	Strongly disagree	3	4.4%
	Disagree	6	8.8%
	Neutral	4	5.9%
	Agree	37	54.4%
	Strongly agree	18	26.5%

4.4.5 CRM Enables the Bank and Help Sales Staffs Close Deal Faster

The respondents were asked to indicate whether CRM enables the bank and help sales staffs close deal faster. A majority of 44.1% of the respondents strongly agreed and another 39.7% agreed bringing to a total of 83.8% of those who agreed, 11.8% disagreed and 4.4% of the respondents were neutral. Table 4.18 presents the study findings.

Table 4.18: CRM Enables the Bank and Help Sales Staffs Close Deal Faster

Statement		Frequency	Percent
CRM enables the bank and help sales staffs close deal faster	Strongly disagree	0	0.0%
	Disagree	8	11.8%
	Neutral	3	4.4%
	Agree	27	39.7%
	Strongly agree	30	44.1%

4.4.6 Discovery of New Customers and Increased Revenue

The respondents were asked to indicate if CRM enables the bank discover new customers, and increase customer's revenues. Forty five point six percent of the respondents agreed and another 35.3% strongly agreed bringing to a total of 80.9% of those who agreed, 10.3% disagreed and 7.4% were neutral. Only 1.5% of the respondents strongly disagreed. Table 4.19 presents the results.

Table 4.19: Discovery of New Customers and Increased Revenue

Statement		Frequency	Percent
CRM enables the bank discover new customers, and increase customer's revenues	Strongly disagree	1	1.5%
	Disagree	7	10.3%
	Neutral	5	7.4%
	Agree	31	45.6%
	Strongly agree	24	35.3%

4.4.7 Customer Profile Analysis

The study sought to find out if CRM strategy enables the banks to analyze the customer profiles, 44.1% of the respondents strongly agreed and another 29.4% agreed bringing to a total of 73.5% of those who agreed. Sixteen point two percent of the respondents disagreed while 4.4% strongly disagreed and 5.9% of the respondents were neutral. Results are presented in Table 4.20.

Table 4.20: Customer Profile Analysis

Statement		Frequency	Percent
CRM strategy enables the banks to analyze the customer profiles	Strongly disagree	3	4.4%
	Disagree	11	16.2%
	Neutral	4	5.9%
	Agree	20	29.4%
	Strongly agree	30	44.1%

4.5 Information Technology Deployment Strategy and Profitability

4.5.1 Bank has invested Heavily in an ATM Network

The study sought to find out whether the bank has invested heavily in an ATM network, 32.4% of the respondents strongly agreed and another 29.4% agreed bringing to a total of 61.8% of those who agreed. Seventeen point six percent disagreed while 16.2% were neutral and 4.4% strongly disagreed. Results are presented on Table 4.21 below.

Table 4.21: Bank has invested Heavily in an ATM Network

Statement		Frequency	Percent
The bank has invested heavily in an ATM network	Strongly disagree	3	4.4%
	Disagree	12	17.6%
	Neutral	11	16.2%
	Agree	20	29.4%
	Strongly agree	22	32.4%

4.5.2 Bank has invested Heavily in Internet Banking

The respondents were asked to indicate whether the bank has invested heavily in internet banking. A majority (63.2%) of the respondents strongly agreed and another 29.4% agreed bringing to a total of 92.6% of those who agreed, 4.4% were neutral and 2.9% of the respondents disagreed. Results are presented in Table 4.22.

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Table 4.22: Bank has invested Heavily in Internet Banking

Statement		Frequency	Percent
The bank has invested heavily in internet banking	Strongly disagree	0	0.0%
	Disagree	2	2.9%
	Neutral	3	4.4%
	Agree	20	29.4%
	Strongly agree	43	63.2%

4.5.3 Bank Management Information System Compatibility

The respondents were asked to indicate whether the core banks management information system was compatible with other systems, a majority (57.4%) of the respondents strongly agreed and another 38.2% agreed bringing to a total of 95.6% of those who agreed. Only 4.4% of the respondents were neutral none of the respondents disagreed. Results are presented in Table 4.23 below.

Table 4.23: Bank Management Information System Compatibility

Statement		Frequency	Percent
The core banks management information system is compatible with other systems	Strongly disagree	0	0.0%
	Disagree	0	0.0%
	Neutral	3	4.4%
	Agree	26	38.2%
	Strongly agree	39	57.4%

4.5.4 Bank Management Information System Flexibility

The respondents were asked to indicate whether the management information system was flexible enough to supports the growth of the bank, a majority (55.9%) agreed and another 20.6% strongly agreed bringing to a total of 76.5% of those who agreed. Fourteen point seven percent disagreed while 5.9% strongly disagreed and 2.9% were neutral. Results are presented in table 4.24 below.

Table 4.24: Bank Management Information System Flexibility

Statement		Frequency	Percent
The management information system is flexible enough to supports the growth of the bank	Strongly disagree	4	5.9%
	Disagree	10	14.7%
	Neutral	2	2.9%
	Agree	38	55.9%
	Strongly agree	14	20.6%

4.5.5 Management Information System in Assisting Employees

The respondents were asked to indicate if the management information system of the bank has been crucial in assisting employees to enhance their performance and productivity. A majority (58.8%) of the respondents agreed and another 25% strongly agreed bringing to a total of 83.8% of those who agreed, 7.45 disagreed while 4.4% strongly disagreed and another 4.4% of the respondents were neutral. Table 4.25 presents the findings.

Table 4.25: Management Information System in Assisting Employees

Statement		Frequency	Percent
The management information system of the bank has been crucial in assisting employees to enhance their performance and productivity	Strongly disagree	3	4.4%
	Disagree	5	7.4%
	Neutral	3	4.4%
	Agree	40	58.8%
	Strongly agree	17	25.0%

4.5.6 Management Information System Ease of Use

The respondents were asked to indicate if the bank has invested in a management information system which is easy to use, 58.8% of the respondents agreed and another 23.5% strongly agreed bringing to a total of 82.3% of those who agreed. Seven point four percent of the respondents disagreed while 5.9% were neutral and 4.4% f the respondents strongly disagreed. Results are presented in Table 4.26 below.

Table 4.26: Management Information System Ease of Use

Statement		Frequency	Percent
The bank has invested in a management information system which is easy to use	Strongly disagree	3	4.4%
	Disagree	5	7.4%
	Neutral	4	5.9%
	Agree	40	58.8%
	Strongly agree	16	23.5%

4.5.7 Management Information System and Minimization of Administrative Costs

The respondents were asked to indicate if the bank has invested in a management information system which has enabled the minimization of administrative costs. A majority (63.2%) of the respondents agreed and 22.1% strongly agreed bringing to a total of 85.3% of those who agreed, 8.8% disagreed and 5.9% of the respondents were neutral. Results are presented in Table 4.27 below.

Table 4.27: Management Information System and Minimization of Administrative Costs

Statement		Frequency	Percent
The bank has invested in a management information system which has enabled the minimization of administrative costs	Strongly disagree	0	0.0%
	Disagree	6	8.8%
	Neutral	4	5.9%
	Agree	43	63.2%
	Strongly agree	15	22.1%

4.6 Inferential Statistics

4.6.1 Bivariate Correlation

The correlation results between banks profitability and independent variable are presented. Table 4.28 displays the results of correlation test analysis between the dependent variable (profitability) and independent variables (empowerment, customer relationship management and information technology) and also correlation among the independent variables themselves. Results on Table 4.28 show that bank profitability is positively correlated with all the independent variables. This reveals that any positive change in employee empowerment, CRMandinformation technology deployment led to increased profitability of bank.

Table 4.28: Bivariate Correlation

Variable		Profitability	Empowerment	CRM	Information
Profitability	Pearson Correlation	1			
	Sig. (2-tailed)				
Empowerment	Pearson Correlation	0.85	1		
	Sig. (2-tailed)	0.000			
CRM	Pearson Correlation	0.653	0.649	1	
	Sig. (2-tailed)	0.000	0.000		
Information	Pearson Correlation	0.82	0.806	0.558	1
	Sig. (2-tailed)	0.000	0.000	0.000	

4.6.2 Regression Analysis

In order to establish the statistical significance of the independent variables on the dependent variable (profitability) regression analysis was employed. The regression equation took the following form.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$

Where

Y = Bank Profitability

X_1 = Empowerment

X_2 = Customer Relationship Management

X_3 = Information Technology

In the model, β_0 = the constant term while the coefficient β_ii= 1….3 was used to measure the sensitivity of the dependent variables (Y) to unit change in the predictor variables. μ is the error term which captures the unexplained variations in the model.

Regression analysis was conducted to empirically determine whether employee empowerment, CRM and information technology deployment were significant determinant of banks profitability. Regression results in Table 4.29 show that the coefficient of determination also called the R square is 78.7%. This means that the combined effect of the predictor variables (employee empowerment, CRM and information technology deployment) explains 78.7% of the variations in banks profitability. The correlation coefficient or R of 88.7% indicates that the combined effect of the predictor variables has a strong and positive correlation with bank profitability.

Table 4.29: Regression Model Fitness

Indicator	Coefficient
R	0.887
R Square	0.787
Std. Error of the Estimate	0.18895

Analysis of variance (ANOVA) on Table 4.30 shows that the combined effect of employee empowerment, CRM and information technology deployment was statistically significant in explaining changes in profitability of the bank. This is demonstrated by a p value of 0.000 which is less that the acceptance critical value of 0.05.

Table 4.30: ANOVA

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	8.454	3	2.818	78.933	0.000
Residual	2.285	64	0.036		
Total	10.739	67			

Table 4.31 displays the regression coefficients of the independent variables. The results reveal that employee empowerment, CRM and information technology deployment are statistically significant in explaining banks profitability. Regression results indicate that employee empowerment and profitability had a positive and significant relationship (beta=0.409, p value 0.000). The findings imply that an increase in employee empowerment practices by one unit leads to an increase in banks profitability by 0.409 units. Results further indicate that CRM and

banks profitability had a positive and significant relationship (beta=0.115, p value 0.049). The findings imply that an increase in customer relationship management by one unit leads to an increase in banks profitability by 0.115 units.

Finally, the results indicate that information technology and profitability had a positive and significant relationship (beta=0.329, p value 0.000). The findings imply that an increase in information technology deployment strategy by one unit leads to an increase in banks profitability by 0.329 units.

Table 4.31: Regression Coefficients

Variable	Beta	Std. Error	t	Sig.
Constant	0.522	0.224	2.33	0.023
Empowerment	0.409	0.096	4.247	0.000
CRM	0.115	0.057	2.008	0.049
Information	0.329	0.087	3.785	0.000

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

One of the study objectives was to determine the effect of employee empowerment strategyon the profitability of Bank of Africa. It was possible to conclude that employee empowerment was highly emphasized in the banks. Results led to a conclusion that all employees received induction training and all the learning was incorporated on the job training. Results revealed that employees' are satisfied on recruitment selection systems, compensation package, job security, career growth, reward motivation and working environment. Correlation results led to conclusion that that the relationship between employee empowerment and profitability is positive and significant. The findings imply that employee empowerment has a significant effect on profitability of banks.

5.2 Recommendations

In line with study results, it is recommended that employee empowerment be emphasized in the banks as it has an effect on the overall achievement of bank's profitability. Therefore the management is urged to encourage sharing of potentially sensitive information on costs, quality, and productivity on financial performance with other employees. It is recommended that the management to encourage autonomous action among staff and the management also to encourage the developing of a clear vision.

The study recommends that banks should emphasize customer relationship by investing in a customer relationship management system. Specifically, banks should invest in a robust Information technology system as this can certainly help companies to create satisfied and loyal customers. This is because customer relationship management is driven by technology rather than a well articulated customer strategy. In addition, it is recommended that banks need to allocate adequate resources for CRM. In this, critical resources such as information and knowledge necessary for addressing customers problem must not be the preserve of a particular unit but organizations must re-align its internal architecture and leverage such resources across the spectrum of the organization to enable people deal with customer issues promptly. It is further recommend that companies must develop a supportive organizational culture, market relationship management internally, intimately understand customer expectations, create and maintain detailed customer database and organize and reward employees in such a way that the objectives of CRM is achieved. The cultural change results in the transformation of the concept into organizational wide ownership, leading to widespread acceptance across the organization. In this situation it would not be seen as belonging to a particular department. The concept would therefore draw out support from all segments within the organization to enable effective relationship be achieved between the customers and the organization.

Following study results, it is recommended that investment in Information technology be emphasized in the banks as it has an effect on the overall achievement of competitive advantage. Therefore the organization is urged to invest in innovative and technology based products such as ATMs, Mobile banking, Internet banking and agency banking. In addition, banks should invest in management information systems which are easy to use and which facilitate minimization of administration and operational costs. In addition, banks should invest in management information systems that are compatible with other systems as well as the one that support the growth of the bank.

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