

Abstract

The commercial banks in Kenya are currently operating in a more dynamic business environment than before, since the market has been liberalized. Due to the liberalized economy, there has been intense competition in the banking industry and this has led to the banks responding to the competitive environment, otherwise they become irrelevant. The importance of strategic management cannot be ignored, because it determines how organizations respond strategically to competition and other business environmental challenges. This study sought to identify the challenges the commercial banks in Kenya are facing due to the intense competition. It also documented the strategic responses adopted by the commercial banks, and the intensity of the competitive forces to the banks operation. The study was conducted in Nakuru town where there are 24, commercial banks in the town.

Random sampling was used in the study and the researcher distributed questionnaires to any five management staff from each bank and this gave a sample of 120 respondents; the data for this study was collected by means of questionnaires. The data was then analyzed using descriptive statistics like the measures of central tendencies, frequencies and tables with the help of statistical Package of Social Sciences, and thereafter a correlation analysis was done to determine the relationship between the independent variable in the study the competitive environment and the dependent variable in this study the strategies adopted. The analyzed data was presented in charts, graphs and cross tabulation. The study showed that there is a positive relationship between the competitive environment determined by the Porters five force and the strategies the commercial banks adopted to respond to the competitive environment. The study concluded that the Strategies adopted by commercial banks have a direct effect on their operation since the strategies respond to the competitive environment. Competitive strategies play a vital role in enabling banks adopt to the competitive environment under which they operate and have competitive advantage over other financial service providers. The findings revealed the challenges facing the commercial banks in Kenya as a result of intense competition. The study also indicated how these commercial banks responded strategically to the competitive challenging environment.

Key Words: Competitiveness, Strategic responses, Commercial banks, Competitive strategies. Competitive Environment.

