BUILDING COMPETITIVE ADVANTAGE IN A CHANGING BANKING ENVIRONMENT - REPOSITIONING OF GHANA COMMERCIAL BANK LTD

by

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DECLARATION

I hereby declare that this submission is my own work towards the Master of Business Administration (Marketing Option) and that to the best of my knowledge it contains no material previously published by another person, nor material which has been accepted for the award of any other degree of the University except where due acknowledgement has been made in the text.

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ABSTRACT

The financial world today is gradually becoming a global village in itself. Since the financial wheel is critical in any development paradigm, the role of banks is even more critical. Ghana Commercial Bank (GCB), the largest state bank in Ghana since independent lost its position as the market leader to Barclays in 2007 but managed to reclaim the position in 2009 till present. This study, therefore, explored the strategies adopted by the management of Ghana Commercial Bank to reposition itself in the competitive banking industry. Personal interviews and the survey method were used in collecting data from the management and staff of Ghana Commercial Bank. Major findings of the study revealed that the bank is now aligned to give a greater focus on the customer and to offer services at lower prices than its competitors. This, the bank indicated is to position itself to become a business that is customer focused and efficient. Management is focusing on reviewing internal processes to remove all input-slackness deriving from underutilisation from production or service processes. The study recommended that Ghana Commercial Bank must introduce more innovative and electronic products, by first upgrading its technological infrastructure. In addition, the bank must also invest in the development of employees in order to survive in the fast changing environment in banking globally.

DEDICATION

This thesis is dedicated to my family.

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I wish to express my sincere gratitude and appreciation to my Supervisor, Mr. S Akomea for his significant help, comments, and guidance. I also wish to thank all the staff of Ghana Commercial Bank for their time and patience in completing the questionnaires.

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CHAPTER ONE INTRODUCTION

1.1 Back ground of study

According to Focarelli and Pozzolo (2005), the last decade has seen many foreign banks entering other markets, especially in developing countries, to provide a broad range of financial services locally. This has been driven by domestic deregulation, e.g., the removal of entry barriers, technological advances, increased financial integration and more generally heightened globalization.

Before 1983 the formal banking system of the Ghanaian economy was dominated by the state owned banks. In fact, they had a monopoly over the entire banking sector as regards their spread and operations. With the exception of two banks – Barclays and Standard Chartered, the country could not boast of any other foreign bank in the entire financial system. The number of branches of these foreign banks was limited to about four cities as opposed to the numerous branches of the state owned banks particularly the Ghana Commercial Bank which operated at least three branches in each of the ten regions of the country (Cobbina, 1999).

Financial Sector Adjustment Programme (FINSAP) was embarked upon in 1988 to address the weaknesses in the banking industry: low competition, weak financials, low profitability as a result of high nonperforming loan assets, less liquidity, low capital base, and low level of technology. The financial sector adjustment programme (FINSAP) sought to liberalise the financial sector, improve savings mobilisation and enhance the efficiency of credit allocation through interest rate liberalisation and competition and enhance the soundness of the banking system through an improved regulatory and supervisory framework as well as develop money and capital markets (Anim, 2000).

According to PriceWaterhouseCoopers (2011), the Ghanaian economy is growing and the banking industry will continue to experience profitable growth. To remain competitive and be sustainable in the long term requires the industry to innovate and transform its operations. Responding successfully to emerging external threats will require industry players to focus on developing an efficient, effective, and flexible banking infrastructure. Increased competition, growing customer demands and new regulations will continue to add complexities to the operations of banks. These complexities can lead to an inability to capture opportunities or respond successfully to global or local challenges.

1.2 Statement of the problem

With new entrants on the banking scene and with increasing demands on banks to adopt International Financial Reporting Standards, things can only get tougher, aggressive and competitive (Bank of Ghana, 2005). While it is all good to see most banks in Ghana aggressively expanding their branch networks, introducing market-disruptive products and services and, focusing on brand presence, these strategies can easily be copied by competitors. Almost all the banks are offering the same products packaged under different names. There appears to be a diffusion of market share in the industry. Ghana Commercial Bank (GCB), the largest state bank in Ghana since independent lost its position as the market leader to Barclays in 2007 but managed to reclaim the position in 2009 till present.

The problem is that with new entrants in the banking industry, the diffusion in market share will get worse as a result of decline in the customer base which will ultimately reduce profitability. Building competitive advantage can set a bank apart from the competition and peers. This study will assess how Ghana Commercial Bank has repositioned itself in the highly competitive banking environment.

1.3 Objective of Study

The specific objectives are:

1. To assess whether Ghana Commercial Bank has lived up to the objectives for which it was established.
2. To assess the challenges of Ghana Commercial Bank in its operations.
3. To identify the competitive advantages of Ghana Commercial Bank in the banking industry.
4. To assess how Ghana Commercial Bank has repositioned itself in the banking industry.

1.4 Research Questions

1. Has Ghana Commercial Bank lived up to its establishment objectives?
2. What are the challenges that Ghana Commercial Bank face in its operations?
3. What are the competitive advantages of Ghana Commercial Bank in the banking industry?
4. How has Ghana Commercial Bank repositioned itself in the banking industry?

1.5 Significance of the study

The functions of the banking system including providing payments and settlements systems, mechanism for borrowing and lending, and pooling and allocation of funds, among others impinge on all aspects of the economy and are central to the overall performance of the economy. The efficacy of the financial systems in performing these functions is a major ingredient of the efficacy of the economy as a whole. Given the pivotal role of banking in an economy, the role of competition in this industry is particularly important.

Survival in today competitive environment depends on performance and growth. Competition has implications for efficiency, innovation, pricing, and availability of choice, consumer welfare, and the allocation of resources in the economy. If competition is weak, these advantages may be lost and there is likely to be a transfer of welfare from consumers to both the producers of goods and services and the shareholders of these firms.

Finally, the study will contribute to the body of knowledge in Banking and Finance and in marketing as well as being a source of reference material for lecturers, students and researchers who wish to gain insight into competition in the banking industry.

1.6 Scope of the Study

The study looks at competitive advantage of an organization in a changing environment using the case of Ghana Commercial Bank. The study will include the perspective of management of the Bank as they are conversant with the strategies employed by the bank in its operations.

1.7 Organization of the study

The study will be organized into the following chapters. Chapter one consists of the background of the study, the problem statement, objectives, research questions, justification, scope and limitations and organization of the study. Chapter two will review relevant literature related to the topic. It will give an overview of the basic concepts related to the subject and standards used as best practices in dealing with the issue. Chapter three will describe the methodology that will be used for the project. Chapter four will be devoted to the discussion and analysis of the main results and findings of the data collected in relation to the topic and chapter five will give the summary of findings, general conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Concept of Competition

Competition arises where two or more providers of services/goods offer their products, as substitutes, to buyers in the same market (Oster, 1995). According to Korsah *et al.* (2001), competition can be researched from various angles. First, it is important to establish the incidence of competition i.e. is there competition? Second, one needs to ascertain the intensity of competition. Third, the basis of competition must be also considered. Competition impacts on the efficiency of the industry. Often such efficiency is achieved means by the effective allocation and utilisation of factor inputs. A market with several suppliers makes collusion (anti-competitive behaviour) difficult to enforce. Furthermore, where firms are of similar sizes, competition increases because none of them can dictate to the market.

2.2 Models of Market Structure

Market structures refer to the specific social organization that exists between buyers and sellers in a given market. Market structures are models of markets that describe a specific social organization between buyers and sellers (Laffont, 1998). Metcalfe (2000) emphasized that there are primarily five market structures or market models and these are;

1. Perfectly Competitive Market Structures
2. Monopolistic Market Structures
3. Monopolist Market Structures
4. Oligopolist Market Structures
5. Bilateral Monopolist Structures

2.2.1 Perfectly Competitive Markets

Perfectly competitive markets are those markets in which the competitive market forces of supply and demand determine market prices and output levels of goods and services produced by competitive firms (Cook and Kerse, 2000). These are markets in which the competitive free market model of supply and demand work to set prices and quantities of commodities produced. They are intensely competitive markets in which no one seller or buyer is powerful enough to determine prices and output levels and so must accept the prices\output levels dictated by the market forces.

The characteristics of Perfectly Competitive Market Structures are:

- There are many market participants (ie buyers and sellers)
- The good or service (ie the product) being bought and sold is homogenous, that is, it is identical
- The buyers and sellers in these markets are price takers, that is they are too small to influence the market price as individual buyers and sellers
- There is freedom of entry and exit by buyers and sellers to and from the market • The firms in these markets do not incur advertising costs since to do so would price firms that advertise out of the market, that is all firms can sell their products at market prices
- There is perfect information on the part of buyers and sellers regarding prices, product quality
- The products are perfect substitutes for each other because they are homogenous
- Transportation costs tend to zero in these markets

2.2.2 Monopolistic Markets

Monopolistic markets refer to those markets that are a hybrid or intermediary market structure between two other extremes of market structures; namely Perfectly Competitive Markets on the one hand and Monopolist Markets on the other. Thus monopolistic markets possess some distinctly features of perfectly competitive markets and monopolistic markets. Examples of Monopolistic Markets are generally prevalent in repair services such as shoe repair, bag repair, refrigerator repair, tailoring establishments, beauty salons, barber shops and tutoring services.

The characteristics of Monopolistic Market Structures are:

• There are many market participants ie many buyers and sellers in these markets

• The product is slightly differentiated ie the product is heterogonous

• The firms in these markets are price makers ie they set their own market price because they have more market power over the product they sell since each product is slightly differentiated

• There is freedom of entry and exit of buyers and sellers to and from these markets • The firms in these markets incur advertising costs to market their slightly differentiated products and to inculcate brand loyalty among their clients

• There is imperfect information between buyers and sellers because of production differentiation, price differential and product quality

• The products are substitutes and since they are slightly differentiated they serve the same function.

2.2.3 Monopolist Markets

Harkrider (2004) emphasized that monopolist markets are those markets in which there is a single firm. There is no competition in these markets and the single firm sets its own profit maximizing price and output where its marginal cost is equal to its marginal revenue ie MC=MR. This type of monopolist market is called a Pure Monopolist market or a single firm industry.

The characteristics of Monopolist Market Structures are:

• There is a single-firm industry in the market, that is the firm is the industry and vice versa

• There are no close substitutes for the product being sold by the monopolist firm • There are no competitors in this market, that is competition is absent for the monopolist firm

• The monopolist firm is a price maker, that is a monopolist firm determines its own market price without facing any competitors

• There are cost, technological and managerial barriers to entry in monopolist markets ie monopolist firms make it extremely difficult for potential rival firms to dislodge their monopolist status by erecting disincentives to entry

• There is imperfect information between a monopolist firm and its customers regarding price, product quality etc which in the absence of competition deepens

• There are no close substitutes for the product being bought and sold in the market

• The monopolist may or may not incur advertising cost and the absence of competition facilitates this option for monopolist, that is there is no pressure to incur these costs for marketing the product

2.2.4 Oligopolist markets

Oligopolist markets refer to those market structures in which a few firms large or small dominate a particular market or industry and there is limited competition and often collusion on the part of these firms to dominate a market or industry (Korah, 1997). These firms also collude explicitly or implicit to limit or prevent rival firms from entering these markets or industries by erecting barriers to their entry.

The characteristics of Oligopolist Market Structures are:

• There are a few firms that dominate an oligopolist market or industry, that is between 215.

- The reaction function of firms in an oligopolist market or industry is Interdependent, that is the policy action of one firm affects the action of another firm regarding a change in price, output, advertising strategy.
- Oligopolist firms are price makers, that is they set their own prices
- The firms in oligopolist markets tend to collude to set price for their output, output. There are two (2) types of collusion of oligopolist firms (a)Explicit collusion where oligopolist firms openly collude to determine price and output levels for their product where there are no strong Anti-Trust Laws and (b)Implicit collusion where oligopolists agree in more covert ways to fix price and output levels. The latter type of collusion is used in places where Anti-Trust Laws are present and strong.

- The collusion of oligopolist firms in principle lead to the creation of cartels, that is cartelization of oligopolist industries results from their collusive behavior. A cartel is a group of producers (a producer cartel) or consumers (consumer cartel) that determines the price and quantity of output to be produced (producer cartel) or consumed (consumer cartel) in a market.
- Oligopolist firms tend to compete on non-price criteria such as advertising, warranties, gift certificates, packaging and transportation because they know that price wars or price competition is counterproductive.
- Oligopolist firms seek to maximize their market share by trying to induce the competitors their clients away from them with better offers such as gifts,

longerwarranties, appealing packaging and free transportation.
- There are costs and technological barriers to the potential entry of rivalcompetitors in oligopolist markets\industries

• There is imperfect information between buyers and sellers in these markets

• There are two (2) types of oligopolist markets: (a) Differentiated oligopoly-those oligopolist firms that sell products that are slightly differentiated (b)Pure Oligopoly those oligopolist firms that sell products that are homogenous like cooking gas orb

gasoline

• Oligopolist firms incur advertising costs to inculcate brand loyalty among their clients particularly in differentiated oligopoly markets

• There is imperfect information between buyers and sellers in oligopolist markets

2.2.5 Bilateral Monopolist Markets

Bilateral monopolist markets are those markets in which there are two (2) monopolist firms one on the supply side called a monopolist and the other on the demand side called a monopsonist. These two firms determine the price wage or interest rate for capital depending on their relative strength or power in commodity markets, labor markets or capital markets in which they operate. Examples of Bilateral Monopolist Markets are in sporting markets.

The characteristics of Bilateral Monopoly Market Structures are:

• There are two (2) monopolist firms operating in these markets

• The monopolist firm on the supply side of the market is called a monopolist seller

• The monopolist firm on the demand side of the market is called a monopsonist seller • The relative strength and negotiating skills of each monopolist firm in these markets determine how product price, wage rates etc are set

• There is imperfect information between buyers and sellers in these markets

• These markets are imperfectly competitive markets

2.2.6 Importance of Market Structures

According to Metcalfe (2000) there are several reasons why market structures are important to the public. The are:

1. Households buy final goods and services or commodities in these commodity markets and firms buy factor inputs in these factor markets. Thus it is useful that households and firms know the markets in which they participate as buyers of goods and services.

2. These markets dominate our lives as we purchase foods, airline tickets, clothes, houses, cars, soaps, textbooks, financial services, electricity, cooking gas, health care services and a wide array of other goods and services for our daily use from firms selling these commodities.

3. These markets are dynamic and as such they are always changing their structures and as such they need to be studied to understand their new structures ie a monopolist market does not always remain a monopolist market they may change to become an oligopolist market if for example one or two other firms succeed to enter a monopolist market as competitors. This market would now become a duopolist market or a triopolist market which are forms of oligopolist markets.

2.3 Positioning Strategy

According to Doyle (1983), positioning strategy refers to the choice of target market segment which describes the customers a business will seek to serve and the choice of differential advantage which defines how it will compete with rivals in the segment. According to Brooksbank (1994), Doyle**'s** definition shows that a positioning strategy only applies at the level of a particular product and/or service operating within a particular market, and that it should not be confused with the broader concept of "corporate" strategy, or with the more specific concepts of strategy as it relates to each individual element of the marketing mix, such as a "promotional" or "pricing" strategy.

Brooksbank (1994) indicated that a positioning strategy may be broken down into three interrelated subcomponents:

(1) customer targets;

(2) competitor targets; and

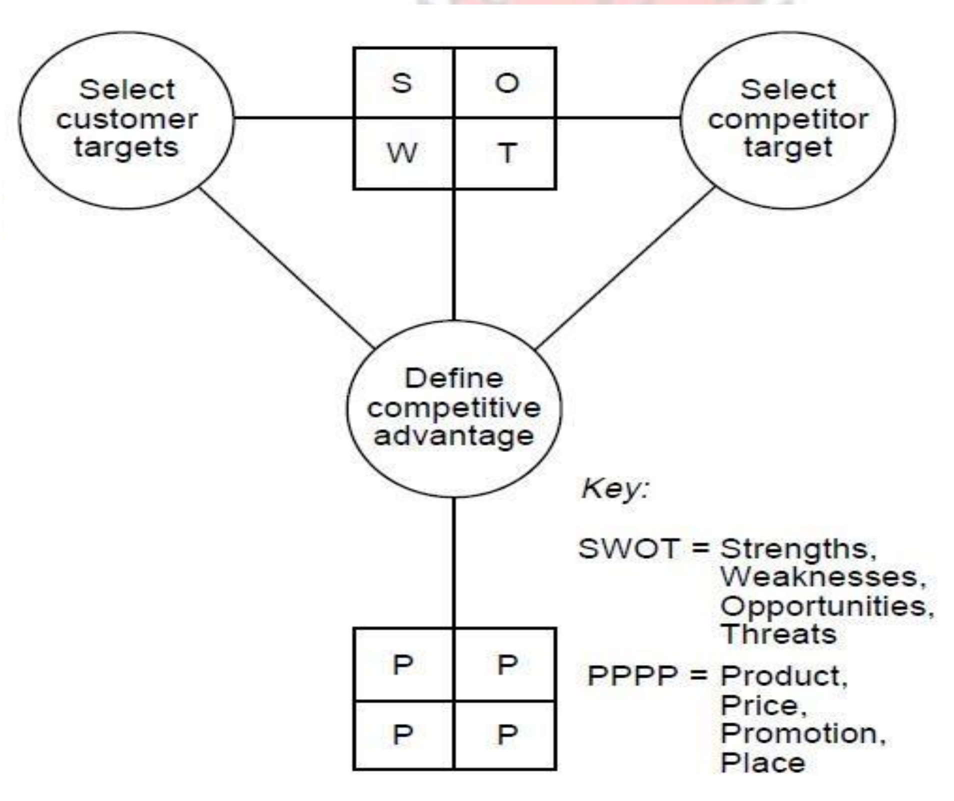
(3) competitive advantage.

The process of positioning strategy formulation demands the ability to build up a picture of the marketplace and think creatively about the interrelationships between these three sub-components. The idea is to go for a segment of the market where, by virtue of the company's distinctive strengths, it is able to satisfy customer needs better than (or at least as well as) its competitors. This necessitates a thorough understanding of the strengths, weaknesses, opportunities, and threats profile (SWOTS) facing the firm – something which can only be achieved by a dedicated internal (company), competitor, and customer/ market analysis.

Once a positioning plan has been finalized it is translated into action by assembling an appropriate marketing mix. The popular four P's definition of the marketing mix is: Product, Price, Promotion and Place (distribution), with each "P" comprising a set of decision elements which together defines the firm's offer to its target market. The mix should be tailored so that target customers regard it as being superior to those offered by competitors – by reflecting the firm's choice of competitive advantage (Brooksbank, 1994).

Figure 1 provides a diagrammatic representation of how the three sub-components of the positioning strategy decision interrelate with each other, the SWOT analysis, and the marketing mix.

Fig 1: The key components of Marketing Positioning Strategy Formulation



Source: Brooksbank (1994)

2.4 Strategic Positioning In Banking Service

According Akdag and Zineldin (2011), in the newly deregulated environment particularly in the banking industries, customers have become more demanding and competition among banks become even more challenging. Banks are struggling to find new ways to compete. As banks have began to realize that no one can offer all products and all services and maintain the top position at the same time and be recognized a leading bank for all customers, the need to develop mission, organizational strengths and prepare answers concerning the strategic positioning has become equally challenging.

Uncertainties in business conditions and limited opportunities have led banks to face bitter aggressive competition. Financial institutions typically compete in broad markets with numerous customers that are geographically dispersed and seek a variety of different service offerings to attract customers. Recognizing that limited resources prevent banks from serving all customers in the market effectively, banks are developing marketing strategies that target only a specific segment to realize greatest opportunity for success (Young, 1999).

Akdag and Zineldin (2011) emphasized that strategic questions such as the followings are also being asked:

Which criteria of characteristics should be used to segment the market?

Which segment(s) provides banks with the greatest opportunity?

What combination of benefits and costs provide the targeted segment the greatest value relative to competitive offerings?

And, in addition to operational decisions pertaining to pricing, promoting, distributing and product design what factors can be addressed for understanding the market structure in which the banks must choose to compete?

Akdag and Zineldin (2011) indicates that a primary purpose of marketing strategy is the development of a competitive advantage strategy that can provide customers with superior value compared to competitive offerings. According Ta and Har (2000), an essential first step is to ensure that bank's services correspond with client's short and long term needs. The essential task is the matching of the needs of bank consumers and the products and services of banks in order to develop a positioning strategy.

Knox (2004) emphasized that organizations nowadays know that they will not achieve perfect positioning through the traditional 4Ps approach of product marketing. Every bank has to consider how to enter a market and then how to build and protect its customer segment (Zineldin, 2002). Evaluation of the relationship between quality and positioning requires an understanding and examination of all of the elements of quality relative to the operations strategy. The role of positioning in development of a marketing mix strategy for products/services that compete on more than just imagery attributes entails decision making on substantive attributes that are known to be important to customers and their perception relate to product performance, price, and service availability. The positioning attempts to distinguish the bank from its competitors along real quality dimensions in order to be the most preferred bank for a certain given market segment. In addition, positioning provides a competitive marketing tool. In a competitive marketplace, a position also reflects how customers perceive the products/services or organization's performance on specific given attributes relative to that of the competitors. Positioning can then change one's existing position in the mind seen by the customers (Taskin, 2009). Banks should therefore, either reinforce or modify customers' perception or their images.

Zineldin (2002) indicated that effective segmentation is beneficial to banks according to the strengths and their abilities to differentiate the products/services offerings. A well integrated application of technology and staff training and operational excellence is found to encourage customers use of a whole range of banking products/services rather than just a few. Clients' loyalty also comes into play helping to create deeper and complete customer relations.

2.5 Selecting Customer Targets

The selection of customer targets highlights the critical role of market segmentation in the marketing process. Segmentation involves the sub-division of a larger market into distinct subsets of customers with similar needs and wants and/or responsiveness to marketing offerings, and is a concept based on the following propositions:-

- Customers usually differ in some respect.
- They can be grouped into relatively homogeneous segments in terms of some relevant aspect of their behavior.
- Segmentation thereby enables the firm to isolate and target specific markets.

This business logic is concisely described by Hanson (1992): If you can divide a larger market into smaller segments with different preferences and subsequently adjust your product (or service) to the preferences in the different segments, then you reduce the overall distance between what you are offering to the market and what the market requires. By doing so the marketeer improves their competitive position.

Thus, since most markets contain customers which are either too numerous, widely scattered, or heterogeneous in their buying requirements to be effectively served by one company (Kotler, 1980), the firm should aim to identify the segment(s) of the market which is most attractive. These choices reflect the company's customer targets.

In attempting to segment the market, Brooksbank (1994) indicated that there are many possible criteria which could be chosen. Common examples include

Geographics, i.e. where customers are e.g. local, regional, etc.;

Demographics, i.e. who customers are (e.g. age, sex, etc.);

Psychographics, i.e. what customers think (e.g. behaviour, attitudes, etc.).

However, it should be remembered that there is no single "correct" approach and that it is in the company's interest continually to seek new and creative ways of defining their market in order to gain new insights and thereby a potential competitive advantage (Hooley and Saunders, 1993). Indeed, any variable can be used as a basis for segmentation, so long as the resultant target market segment(s) satisfies the four key requirements for effective segmentation.

(1) **Homogeneity within segments:** Customers within segments have similar needs and wants/responsiveness to marketing offerings.

(2) **Heterogeneity between segments:** Customers between segments have significantly different needs and wants/responsiveness to marketing offerings.

(3) **Targetability via marketing mix:** Segments can be easily reached and served.

(4) **Viability in commercial terms:** Segments are large/profitable enough to justify being targetted.

Cavanagh and Clifford (1986) indicated that the most successful companies are those which specialize and concentrate on a well defined market with a thorough understanding of customer needs – since it is this knowledge which drives all subsequent decisions. According to Chaganti and Chaganti (1983), the route to success in target market selection is to focus the firm's (limited) resources (time, effort, money) onto a relatively small group of customers whose needs the firm can meet most effectively.

2.6 Selecting Competitor Targets

Successful marketing is all about aiming to satisfy customer needs and wants better than the competition, so it is imperative that the firm identifies and selects customer targets in such a way as to enable the firm to exploit some competitive edge in its markets. This necessitates a careful analysis of the competition. Clearly, the selection of competitor targets should hinge around the evaluation of competitors in the light of the company's relative strengths and weaknesses and ability to compete, i.e. superior skills/resources. Brooksbank (1990) indicated that the most successful companies are those which, as far as possible, avoid head-on competition altogether by offering something different.

2.7 Competing Notions of Competition

According to Cook (2001), the notion of competition is central to economic theory, but its meaning and the ways in which it is perceived to work and contribute to development, differ widely among theorists, policy-makers, bureaucrats and business people. Indeed the history of economic thought provides some deeply contrasting views about the meaning of competition. Amongst them, the concept of perfect competition has survived as the standard model for analysis and has had a profound influence on policy-making concerned with the regulation of competition. Yet the notion of this form of competition is very different to the concept envisaged by classical economists such as Adam Smith.

According to Maskus and Lahouel (2000), when Adam Smith was writing in 1776, the concept of competition was familiar, and was formulated in the context of independent rivalry between two or more persons. Viewed in this way competition acts as a force that would, in the long run, eliminate excessive profits and unsatisfied demand. The classical economic literature emphasised price determination through the notion of competition as replacing ethically and politically oriented price administration as the focus of economic analysis. Participants in the market would change price in response to market conditions principally through a process of rivalry. Adam Smith's major contribution to this analysis appears to have been to add systematic thinking to earlier views on the subject. Since then the development of a notion of competition gave the profession an analytical rigour akin to the character of a science.

2.8 The Neoclassical Concept of Competition

By the late nineteenth century the analytical development of the concept of competition differed in many respects to that portrayed by Adam Smith. Mathematical refinement took the concept of competition in a different direction (Cook, 2001). In this neo-classical development, price became a parameter rather than a variable. The neoclassical economists viewed competition as a state of affairs rather than as a process as depicted by classical economists. It is built around the notion that the market is characterized by a state of equilibrium that is dependent on forces of demand and cost structure that determine who survives and who fails, and is formally presented in the idea of perfect competition. The neo-classical focus is on the effects of competition rather than a definition of the underlying behavioural process that characterises competition.

The profit maximising behaviour based on notions of rational decision-making that underlies the neo-classical approach leads to the selection of output and choices over entry and exit in relation to observed profit opportunities. This has been subject to a barrage of criticisms. In the perfectly competitive model an enterprise seeks to maximise profits, and correspondingly selects an output where marginal costs equals the market price. As long as profit opportunities appear to exist, enterprises will continue to enter the industry. In the long run it is argued that enterprises that remain will produce at the minimum efficient scale (Cook, 2001).

2.9 The concept of workable competition

The concept of workable competition also emerged from the literature in the 1930s as a concept to counteract the view that perfect competition is not a reliable basis for making normative appraisals of the working of actual markets (Cook, 2001). A set of criteria that defined workable competition was developed that reflected the demands of the public interest. The criteria related to performance, conduct and structure. Using their extended neo-classical criteria, markets could be viewed as almost workable, workable or optimum. A variety of schools have expressed their fundamental dissatisfaction with the equilibrium concept of competition.

Metcalfe (2000) view competition less in terms of price but in terms of new technology, new sources of supply and new types of organizational development which provide cost and quality advantages. Cook (2001) indicated that it is not (price) competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization, that is, competition which commands a decisive cost or quality advantage and which strikes not at the margin of profits and the outputs of the existing firms but at their foundations and their way of lives.

According to Metcalfe (2000), this approach is rooted in the behavioural theory of the firm and emphasises learning capabilities and adaptive behaviour and the interactions between these behaviours. This entails a shift from perceiving competition in terms of a state of equilibrium, characterised by different market structures, to competition as a process of change premised on the existence of the differential behaviour of firms and the economic arguments. In equilibrium theory, the behaviour of the firm is often depicted as a form of anti-competitive market behaviour. In this respect, the evolutionary perspective indicates that economic progress is only possible, in what is, from a neo-classical viewpoint, an inefficient world. Cook (2001) indicated that this view was earlier shared by Adam Smith when he hinted at the importance of changes in the techniques of production and organisation when he stated that competition of producers who, in order to undersell one another, have recourse to new divisions of labour, and new improvements of art, which might never otherwise have been thought of.

2.10 Evolutionary and Equilibrium Approach to Competition

Metcalfe (1993) claims the evolutionary approaches are less developed but have clear lines of differences with the equilibrium approach to competition. The fundamental difference is the displacement of equilibrium and optimisation as the organising concepts.

Evolutionary theory is concerned with why the world changes endogenously, and with why technological competition is the driving force behind structural change and economic development. It is concerned with the process of adaptive learning and the creation of novelty. Indeed it is by this change in approach that attention is switched to the strategic, cognitive and organisational aspects of firms which explain why they behave differently. Arthur and Lane (1993) define this innovation process in terms of dynamic efficiency. Decisions about technological innovation are made with great uncertainty which make it difficult to assess the results of different strategies that are adopted by enterprises. Again competition, unlike in neo-classical theory, does not only relate to prices and costs, but to a wider set of variables and welfare increases not only in response to price reductions but to improvements in quality and product variety. The evolutionary account of the competitive process is therefore characterised by a competitive order rather than a competitive equilibrium. As Metcalfe (2000) stated, competition depends upon the variety of behaviourisms in a population of firms. That variety is translated into differential profits in terms of differential growth and decline. Innovation processes continuously reshape the pattern of variety and provide the developmental impetus to drive the selection process. The competitive order changes with innovation and therefore is conceptually different to the idea of market structure portrayed in neoclassical economic theory and of its measurement in terms of the concentration of firms. According to Cook (2001), the evolutionary approach has been used to explain how competitive advantage, as opposed to comparative advantage, explains successful development.

2.11 Theory and Competition Policy

A large number of governments have introduced national competition laws. Generally these refer to legislation, judicial decisions and regulations that relate either to agreements between firms that restrict competition or to the abuse of a dominant position by a firm or firms merging together. The rules established by these laws are intended to ensure that the competitive process is not hindered through the creation of dominance that results from forms of regulation or agreements between competitors that restrict competition (Maskus and Lahouel 2000). The term competition policy, however, has a broader meaning, and refers to a set of measures and instruments used by governments that determine the overall conditions of competition that are likely to be met in specific markets. As such, competition law is a subset of competition policy. The broader set of instruments influencing competition policy includes privatisation, deregulation, foreign investment policy and subsidies. Viewed in this way domestic competition policy is also affected by regional and international agreements. Competition policy may even lead to a restriction of competition in cases where it is argued that this entails greater efficiency.

Since competition is a process, it can lead to a variety of market structures that can give efficient outcomes. It will only generate a competitive or atomistic market structure where market conditions and production processes favour the operation of very small, efficient firms. Alternatively, production efficiency may have a scale dimension and require large firms, so that the highly concentrated industry can also be associated with efficiency (Parker, 2000). According to Wise (2000), this view rests on the belief that markets behave as if they are competitive and are in long run equilibrium. The extreme view attributes all structural monopoly to superior performance. In the long run only efficient monopolies survive and the costs of attaining monopoly will eliminate any monopoly profits. Market dominance has only limited harmful effects and monopoly ought to be encouraged because that position is gained through superior performance. This is a clear refutation that competition policy should be solely based on notions of market share. Behind this is the idea that competition policy should promote economic efficiency and that structural approaches to competition policy, as embodied in the simple structure, conduct, performance approach, will end up penalising the successful.

2.12 Defining Competitive Advantage

The marketing strategist must also develop a competitive advantage which will distinguish the company's offer from those of its competitors in the segment. In other words, he or she must decide how the business is going to compete in the marketplace. The aim is to make the offer as unique as possible to customers, so they will be less likely to switch to competitors for minor price advantages. When developing a competitive advantage, the essential factors are:

- it must always be based on something of value to the customer (e.g. superior service) and not price alone; and
- it must be “sustainable

In other words it should exploit a skill of the company that competitors will find hard to copy. A competitive advantage can be created out of any of the company’s strengths or “distinctive competencies” relative to the competition. Managers of successful companies always have a crystal clear understanding of their competitive advantage, and use it as a blueprint for all marketing mix decision making (Brooksbank, 1994).

2.13 An overview of the banking industry in Ghana

The banking sector in Ghana comprises twenty seven (27) universal banks (DMBs) and 135 rural banks. Currently all banks in Ghana are operating as Universal Banks which opens endless opportunities to the product range that they may offer. The banking sector has seen the arrival of many banks from the sub-region as it is the policy of the Central Bank to issue licenses to international banks with repute. The policy is geared toward supporting the development of a well capitalized and robust financial system (PriceWaterhouse Coopers, 2009).

The traditional segments of commercial banks in Ghana has been retail and corporate banking. As retail and corporate banking become less and less profitable, banks are diversifying into new businesses to stop the decline of profits. The drawback is that volatility of earnings has dramatically increased. The management of these new types of risk—typically, market risk and credit risk on traded assets—requires competence and expertise. Hence, the risk profile of commercial banks is changing as a consequence of diversification.

Banks have influenced economies and politics for centuries. Historically, the primary purpose of a bank was to provide loans to trading companies. Banks provided funds to allow businesses to purchase inventory, and collected those funds back with interest when the goods were sold. For centuries, the banking industry only dealt with businesses, not consumers. Banking services have expanded to include services directed at individuals, and risks in these much smaller transactions are pooled. The banking industry in Ghana has undergone rapid changes driven partly by technological change and the rapid growth of competing non-bank financial institutions as well as liberalization of the financial sector. Competition in the industry has been keen over the past few years. The distinction between merchant, commercial and development banking has become blurred as a result of the introduction of the Universal Banking Concept. Banks are now allowed to undertake a wide range of financial services without restriction. Banks in the country are now offering Retail, Corporate and Investment banking services. There is a strong indication that demand capacities still exist in the growing banking industry (Acquah, 2006).

The scenario commercial banks in Ghana face today differs greatly from that of the past. Diversification among sub-industries is defining an environment where banks compete with other financial-service companies to provide mutually exclusive products and services to the same customers. Traditional branch banking is under the threat of new competitors and technological innovation, leading some analysts to wonder whether banks are dying. Most likely what is dying is the old-fashioned concept of the bank and a new scenario is emerging (Krakra and Ameyaw, 2010).

As with most developing countries that have pursued economic and structural reforms, Ghana has been undergoing a process of financial sector restructuring and transformation as an integral part of a comprehensive strategy for some time. Ghana has moved from the history of severe distress and dysfunction in the banking system, illiquidity and insolvency, interest rate controls and credit rationing to a market-based regime. As part of the process, policies and measures were directed at improving the regulatory framework and strengthening bank supervision to ensure increased efficiency and profitability of banks (Acquah, 2006).

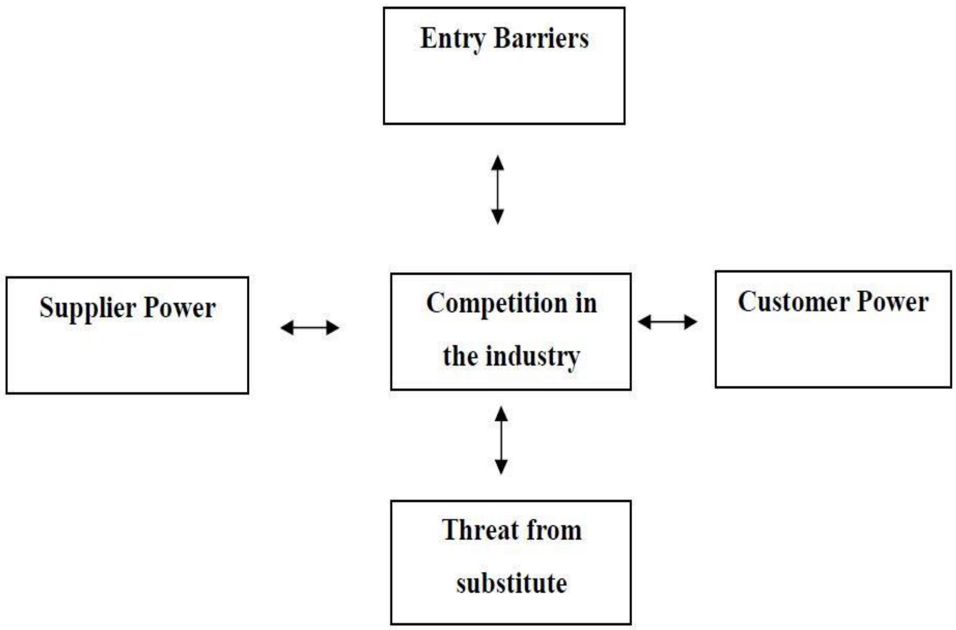
The above is been undertaken within policy environment of volatile and generally high inflation, large exchange rate swings, and negative real interest rates over extended periods resulted in an unsustainable portfolio of non-performing assets on the books of many commercial banks that had to be cleaned out. In addition, heavy domestic borrowing by government to finance deficits and a growing domestic debt burden crowded out private sector finance. The central bank of Ghana believes Ghanaian banks are faced with an ample supply of relatively low-risk, high return on government paper, and banks and other financial institutions have had little incentive to engage in – or develop the capacity for – lending and equity finance for the private sector. The debtinterest rate and price dynamics of the past, has fostered a short-term perspective among both savers and lending institutions, as a consequence there has been very limited access by small and medium-sized enterprises to credit (Acquah, 2006).

In Ghana there have been attempts to ensure efficiency and competitiveness in the banking industry. Among these initiatives were the movement to universal banking, the adoption of an open licensing system, and the modernization of the payments system, including establishing a central securities depository and the passage of supportive laws. Universal banking, which involves the removal of restrictions on banking activity, was introduced to allow banks to choose the type of banking services they would like to offer in line with their capital, risk appetite and business orientation. The purpose of this was to remove the monopoly that was given to commercial banks in the area of retail banking, and create room for diversification of the range of financial services that a bank can provide. In addition, it allowed merchant banks for example to compete for retail deposits. This process according to the central bank would lead to branch network expansion, increasing banking penetration, and also competition for deposits at the retail level. Indeed the movement into universal banking also came with a higher capital requirement to ensure that banks are sufficiently capitalized to take on additional risk (Acquah, 2006).

2.14 Testing Levels of Competition in the Ghanaian Banking Industry

According to Porter's 5 Forces Model, the level of competition in an industry is determined by the interaction of five main forces: existing competitive rivalry between suppliers, supplier power, customer power, entry barriers, and threat from substitute products. Porter's 5 forces framework is depicted in the Figure below.

Fig 2: Porter's 5 Forces Model



Source: Porter (1985)

Krakah and Ameyaw (2010) emphasized that the first model that dominated strategic thinking over the last 20 years was Porter's (1985) ―five forces model. This traditional strategic management models defines the firm's strategy in terms of its product / market positioning, i.e. the products it makes and the market it serves. This model is mainly focused on the external impact on strategy development and it helps firms to analyze those forces in an industry, which give rise to opportunities and threats. As a result, the dominant strategy became of matter of choosing an appropriate industry and positioning the firm within that industry according to the following forces

New entrants: With the introduction of universal banking by the Central Bank of Ghana in 2003, there have been many new entrants in the Ghanaian banking industry from then to date, who are all competing for a fair share of the same market. This has caused a shift in the market share of the existing traditional banks to accommodate the new entrants who are still competing for an even bigger share of the market.

Customer bargaining power: Gone are the days when banking was the reserve of a privileged few in Ghana. The industry has however grown so rapidly within the past few years and with the emergence of several local and multinational banks in the Ghanaian economy today, the customer is now aware of his bargaining power and is certainly using it to his advantage. The customer is able to negotiate for the services he is offered in terms of interest on his investments and service charges etc. The customer is now king indeed.

Threats of substitute products or services: One of the challenges the banking industry currently face in recent time is the influx of non-bank financial institutions. This has resulted in general innovative practices that hitherto did not exist in the industry. The resultant being the high spreads between deposit and lending rates.

Supplier power

Aboagye-Debrah (2007) indicated that the banking industry in Ghana has undergone a lot of transformation over the past two decades due to policies implemented under the financial sector reforms. The number of banks has increased due to easy entry and exit. This has resulted in the diminishing of supplier power while customer power has increased due to increasing customer sophistication and knowledge as well as more banks available to customers to decide which bank to do business with. The industry has also witnessed increasing innovation and the threat from substitute products is eminent. Thus according to Porter's 5 forces model, one would expect competition in the industry to heighten.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 The Research Approach

The research approach determines which established convention has been chosen for conducting a piece of research. The choice of research approach is based on the research problems and questions of a study. Various approaches can be used to study a problem. According to Saunders *et al.* (2000), the most often used approaches are exploratory, descriptive and explanatory. Agyedu *et al*. (1999) have also advanced four approaches namely assessment, evaluation, descriptive and experimental. In the case of this research a descriptive approach has been used to describe the competitive advantage of Ghana Commercial in the banking industry in Ghana.

3.2 Sources of Data

To assess the competitive advantage of Ghana Commercial Bank, the study used both primary and secondary data. The primary source of data was gathered from interviews and discussions with management and questionnaires administered to staff of Ghana Commercial Bank. This method provided immense opportunities for the researcher because it produced valuable data and provided insight into issues that otherwise would have been difficult to gather using other methods. The method was useful and highly flexible and gave an opportunity for the researcher to repeat and explain questions to the respondents, which ensured that the questions were perfectly understood by the respondents. It also offered an opportunity for further and instant probing on responses that were not clear or conclusive enough.

Secondary data was obtained through both published and unpublished materials including articles, reports on banking operations and papers. The collection of secondary data was important so that the management, staff and researcher's time is not wasted on collecting information that already exists. It also provided in-depth and foundational knowledge on the research topic and area.

3.3 Population

The population for the research was Ghana Commercial Bank. The headquarters in Accra and Kumasi Main branch was selected for the study. Questionnaires were administered to the staff and management was chosen as respondents to the interview and different shades of opinions were solicited from these respondents.

The researcher interviewed the head marketing of the bank and Director of operations for information pertaining to the strategies adopted by the bank to attain a competitive advantage in the industry. The marketing manager was selected because her department deals with the marketing of the banks products and issues relating to customer relationships. All policies regarding the operations of the bank are formulated by the operations department and in this regard, it was deemed appropriate to deal with that department also.

3.4 Sampling Techniques and Sample Size

The study area was narrowed to the bank's headquarters in Accra and the Kumasi Main branch. The rationale for selecting these two branches was as follows:

(i) First, the headquarters' branch represents the core and nerve centre of the bank in Ghana. It is where all their strategic managers are, where most decisions are initially implemented and where certain information could easily be accessed.

(ii) The Kumasi Main branch was included upon recommendation from the head of Marketing because of its proximity and accessibility as well as it being the Ashanti regional headquarters of the bank.

It is important to note that even within these two branches, the staff is over one hundred (100) and so there was the need to take a sample of respondents that would be considered fairly representative of the entire organisation, and from which basic generalisations could be deduced.

Zikmund, (2000) defined a sample as "a subset of some part of a larger population, a population being any complete group of people or companies that share some set of characteristics". Using a simple random sampling technique to derive a representative cross section view of the population, a sample size of forty (40) bank officials were used. Using sampling in this way reduces costs and makes it possible to gather useful information quickly and where the samples are properly selected accurate results are guaranteed.

3.5 Instruments for Data Collection

Interview guide made up of open-ended questions was used to elicit data from management of the bank. The open-ended types of questions gave flexibility in answering the questions. Thus, the respondents were given enough room to fully express themselves in order to enable the researcher obtain the relevant data from them. The interview enabled the researcher to obtain large and detailed amount of data within a short time. To increase the level of reliability and validity of measurement, the researcher conducted the interview herself. The interview questions were structured in such a way that the researcher was able to elicit information relevant to the objectives of the study. Questionnaires made up of close and open-ended questions were used to gather information from the staff of the bank.

3.6 Quality of the Research

The scientific value of a research report is very important and embodies the concepts of validity and reliability. To ensure the quality of this work, the interviews and questionnaire were designed based on the research questions. The questions were designed to solicit information pertaining to the competitive advantages of Ghana Commercial Bank. The concepts of validity and reliability cannot be separated from the quality of research work. These concepts express how well the investigation and study results are dependable (Yin, 1994).

3.6.1 Validity

Validity in the sense of research work implies the ability of a particular or combination of methods to measure what is intended to measure as outlined in the research question. Validity takes place when the measuring instrument shows substantial evidence that the theoretical framework corresponds to observations (Kirk and Miller, 1985; Aaker *et al*., 1995). However, Silverman (1997) claims there cannot be absolute validity but relative depending on the method and circumstances surrounding the research. The instruments for this research have been questionnaires and interviews. In order to enhance the validity of this work, firstly, only persons that have been involved in the situations being studied were interviewed. Secondly, the data collected through the disseminated questionnaires have been analyzed and compared to prior literature as captured in the literature review and the information from other reports.

3.6.2 Reliability

Rimmel (2003) advances that "reliability refers to the degree of consistency with which different researchers come to the same answer or with which one researcher came to the same answer on different occasions". From the position of Rimmel as stated above, a research work is considered reliable when the work can be replicated or conducted at different times by the same researcher or at the same time by different researchers. In other words, reliability is the degree to which a test gives the same result when the test is repeated several times. Independent researchers must be able to get consistent results given the same study procedure (Yin, 1994). As a way to increase the reliability, much information was collected from the bank prior to the research.

3.7 Pre-Testing

In order to ascertain the suitability of the questionnaire, the approved instruments were tested on the Tech Junction Branch of Ghana Commercial Bank by seeking permission from the branch manager of the bank. The pilot study helped in vetting and editing of the questionnaires.

3.8 Data Processing and Analysis

Collected questionnaires have to be managed properly if any use, in respect of decisionmaking, is to be made of it. Consequently it is important that raw data is handled properly so as to transform it into information for the purpose of decision making. The researcher began the data analysis by editing the responses to ensure consistency. Consequently, the researcher read through all the data in order to determine whether the responses were worthwhile and to find out whether all the questions had been properly answered. The researcher then summarized the data into statistical tables. Qualitative method of analyzing statistical data was employed in the data analysis. The data analysis was done in relation to the research problem and objectives. The researcher used Statistical Package for Social Sciences (SPSS) software to summarize the data and create appropriate tables, charts and graphs to examine the relationships among the variables.

3.9 Ethical Consideration

For the purpose of minimizing the fears of the respondents and also to have access to the respondents, consent was sought from the Head office of the bank. Letters for permission were written to the various departments that the research was conducted. In the preamble to the questionnaire, the respondents were made to understand that the study was meant for academic purpose and not for auditing. Therefore, the study was not fault finding but to assess the competitive advantage of Ghana Commercial Bank and to make recommendations. The respondents were again informed that their names would not be disclosed. They were therefore urged to be frank in the responses to the questions.

3.10 Profile of Ghana Commercial Bank Ltd

Ghana Commercial Bank Ltd started in 1953 as the Bank of the Gold Coast to provide banking services to the emerging nation for socio-economic development. The Bank was to provide special attention to Ghanaian traders, business people and farmers who could not elicit support from the expatriate banks. In 1957, when Ghana attained independence, Bank of Ghana was established as the Central Bank while the Bank of the Gold Coast was renamed Ghana Commercial Bank to focus solely on commercial banking services. Since then GCB branches have been opened across the length and breadth of the nation tapping the potential of the 10 regions that make Ghana.

Vision and mission

To be the established leader in banking, satisfying the expectations of customers and shareholders, providing a full range of cost efficient and high quality services through the optimization of information technology and efficient branch network, and this was to be achieved through the following:

- Focusing on our core business/competencies-commercial banking.
- The provision of first class customer service.
- Constant improvements in the use of information technology.
- Ensuring that staff are well motivated and have a conducive work environment.
- Recruiting and retaining the best human resource to carry out the Bank's mandate.

- Applying best practices in internal policies, procedures, processes and service delivery.
- Constant improvement in shareholder value

Ownership/Shareholding structure

The Bank had been wholly government owned until 1996 when under the economic recovery program, part of the government ownership was divested. Today government ownership stands at 21.36% while institutional and individual holdings add up to 78.64%.

Growth of Ghana Commercial Bank Ltd

From the one branch of the 1950s, GCB now has over 150 branches and over 10 agencies throughout the country. GCB abounds in high quality human resource, which stands at 2,101 as at the end of 2009. This is remarkable when one considers that the Bank started with a staff strength of 27. Currently there are professionals of various disciplines who work in tandem to achieve the objectives of the Bank.

The growth of the Bank has been synonymous with its customer base. During the first five years of the Bank's operations, our customers were mainly small Ghanaian traders (now termed SMEs) and other nationals who were expected to maintain credit balance accounts because the Bank was then not adequately capitalized. From the small trader as customer, GCB now has a customer profile that ranges from salaried workers through small and medium scale entrepreneurs to large trading concerns, quasi-governmental institutions and corporate customers.

GCB provides a wide range of products and services for the benefit of its customers. From the traditional products of the Current/Savings Accounts, GCB now offers specialized products and services including Link2Home for Ghanaians resident abroad, doorstep cash collection, loans and overdrafts. There are also investments products like treasury bills as well as fixed and call deposits. These are cut to suit the individual needs of customers.

In addition, GCB has taken advantage of an enhanced information technology system, to introduce Internet Banking (Commernet Plus), Royal Banking, Smart Pay (Fee Payments), Kudi Nkosuo, GCB Inland Express Money Transfer, International Money Remittance Payments, GCB Kidistar Account and MasterCard.

CHAPTER FOUR

ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Demographics of Respondents

Table 1 shows the characteristics of the respondents. From the analysis it can be seen that a greater percentage (57.5%) of the respondents were male and 42.5% were female. Consequently, the table shows that 37.5% of the respondents fall within the 21-30 age bracket, followed by 27.5% being between the ages 31-40 years, 22.5% between 41-50 years and 2.5% above 60 years.

Table 1: Characteristics of the Respondents

Item	Percentage (%)

Sex	
Male	57.5
Female	42.5
Age of Respondents	
Below 20years	0
21-30 years	37.5
31-40 years	27.5
41-50 years	22.5
51-60 years	10
Over 60 years	2.5
Years Worked with GCB	
Less than 1 year	7.5
1-2 years	20
3-4years	35
Over 5 years	37.5
Educational Level	
Masters	12.5
Bachelors	50
Professional certification	15
Higher National Diploma (HND)	20
Others	2.5

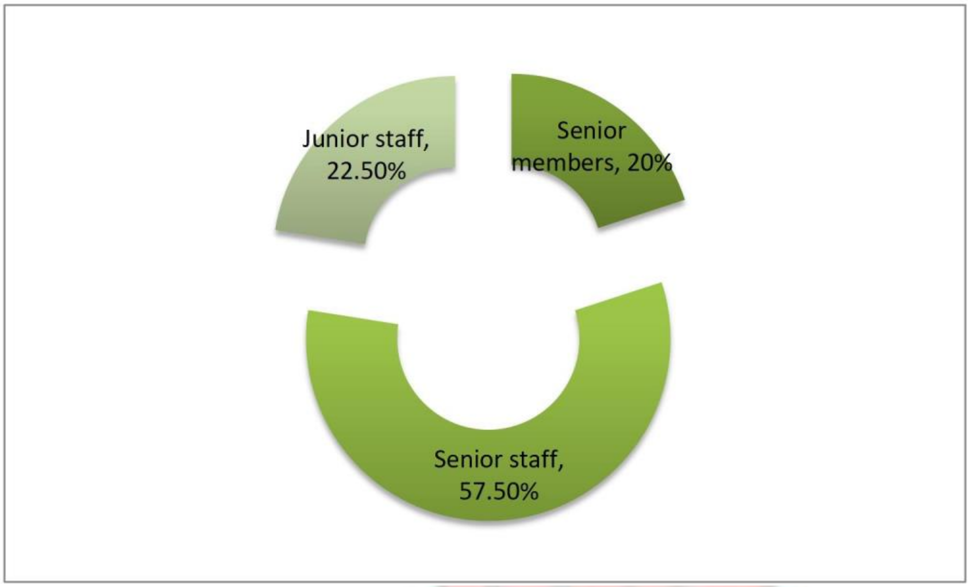
Source: Researcher's Field data, 2011

On the other hand 7.5% of the respondents have been with GCB for less than a year, 20% between 1-2 years and 35% between 3-4 years with 37.5% of them having worked with GCB for over 5 years. 12.5% of the respondents had masters' degree with half of the respondents having bachelor degree. Whilst 15% of the respondents had professional certificates, 20% of them had HND's. 2.5% of the respondents on the other hand indicated that they had other academic attainments different from that indicated.

4.2 Status of Employees

As indicated under Figure 3, 22.5% of the respondents were junior staff. Whilst 57.5% were senior staff, 20% on the other hand were senior members.

Figure 3: Status of Employees



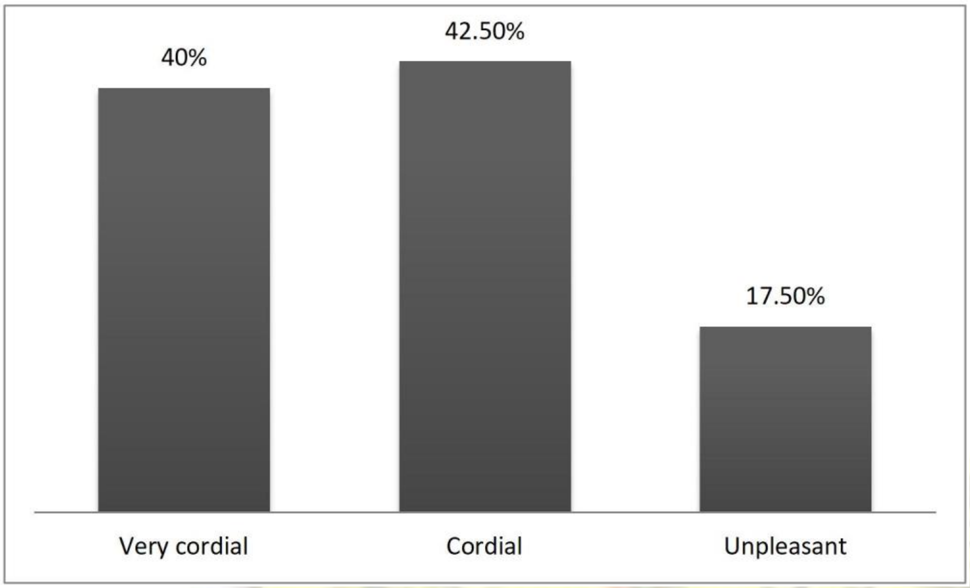
Source: Researcher's Field data, 2011

4.3 Relationship with Customers

According to Hutt and Speh (2004), the role played by the customer in any business is well known and therefore can not be over emphasized. Donio *et al.* (2006) on the other hand indicated that customer loyalty is crucial to the success of business organizations and that the loyalty of a customer is a competitive asset, hence a way of increasing customer retention is through secure and collaborative relationship between buyers and sellers.

For service business, strong customer relationships are of particular importance because of their inherently interpersonal focus and the relative lack of objective measures for evaluating service quality (Czepiel, 1990). Under Figure 4, 40% of the respondents indicated that the relationship with customers is very cordial with 42.5% of them indicating that relationship with customers is cordial. Whilst 17.5% of the respondents were of the view that the relationship with customers is unpleasant, none of the respondents indicated that the relationship with customers is very unpleasant. Greenberg (2004) opine that the goal of good relationship management is to close or narrow the gap between expectations and perception of customers

Figure 4: Relationship with Customers



Source: Researcher's Field data, 2011

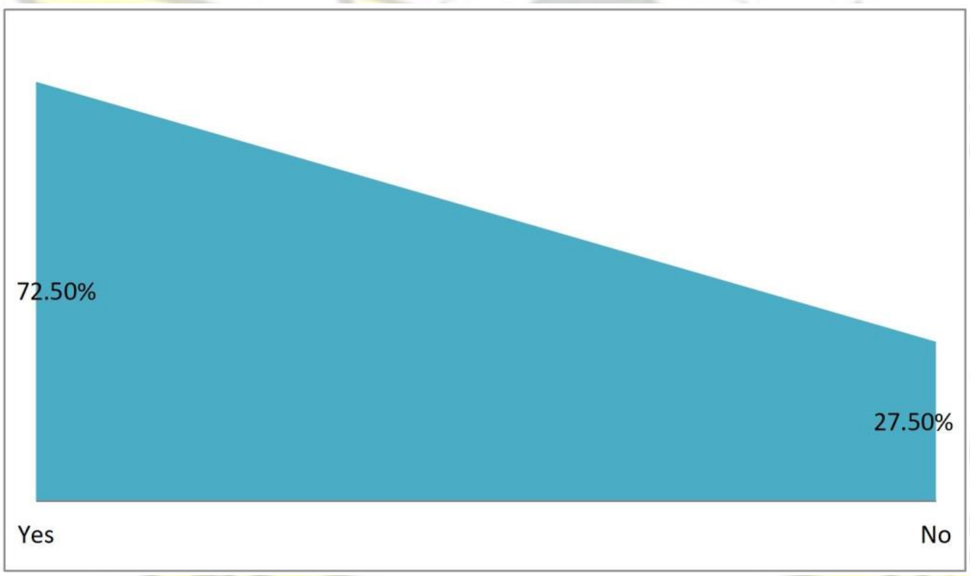
4.4 GCB has lived up to its objectives

The founding of GCB was in fulfillment of an economic goal. It was designed, first, to establish firm banking infrastructure for effective mobilization of domestic resources; secondly, to assist in meaningfully integrating the indigenous population in national development processes as well as improve the prospects for regional balance; and lastly, to increase the effectiveness of monetary and fiscal policies by integrating more people into the financial system and getting more access to savings through the banks extensive branch network. At a press conference by organized by Professional and Managerial Staff of GCB

(2003), it was stated that these broad objectives have been, and continue to be, met. Over the past 50 years, GCB has extended banking services to rural areas where the majority of the people live and work, and where the bulk of the nation's wealth is produced. From Figure 5 below, 72.5% of the respondents were of the view that GCB has lived up to its objectives with 27.5% of the respondents indicating otherwise.

Attempts to reduce rural poverty through financial intermediation necessitated the opening of more branches throughout the country, including particularly the rural areas that have been abandoned by other commercial banks. GCB has a network of over 150 branches, over 60 percent of which are in the rural areas (PriceWaterhouseCoopers, 2009).

Figure 5: GCB has lived up to its objectives



Source: Researcher's Field data, 2011

Management in the interview indicated that as a financial institution spanning the length and breadth of Ghana, and also as a human institution, the bank naturally have its shortcomings. Management indicated further that the bank has not always met the expectations of its customers at all branches and has not modernized service delivery throughout the country. GCB flotation exercise, which ended 31 March 1996, was the largest divestiture in the financial sector. The success of the exercise, which was oversubscribed by GH¢900 thousand or 60 percent of the local offer, demonstrated the confidence the public had in the bank. Whilst 57.5% of the respondents were of the view that the public has confidence in the bank, 47.5% of them did no believe that the public has confidence in the bank.

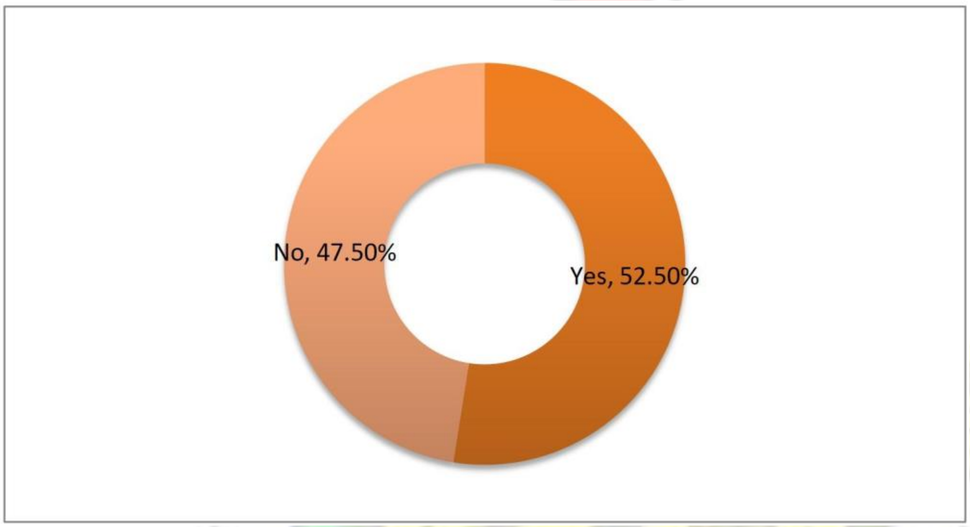
4.5 Modernization of Operations

The importance of a robust IT platform to support the increasing web based products and services which is currently redefining the product and service mix of many banks cannot be overemphasized. Banks should overcome operational issues such as "downtime" in network connectivity, ATM availability, viable disaster recovery and business continuity plans (PriceWaterhouseCoopers, 2011). GCB (2003) indicated that the question of modernizing operations and optimizing information technology has always been uppermost in the strategies of management. The bank has modernized and networked almost all branches. With 52.5% of the respondents indicating that the management has modernized the operations of the bank, 47.5% on the other hand were of the view that the bank has not modernized the operations of the bank (Figure 6).

According to PriceWaterhouseCoopers (2011), the Ghanaian economy is growing and the banking industry will continue to experience profitable growth. To remain competitive and be sustainable in the long term requires the industry to innovate and transform its operations. Responding successfully to emerging external threats will require industry players to focus on developing an efficient, effective, and flexible banking infrastructure.

Increased competition, growing customer demands, and new regulations will continue to add complexities to the operations of banks. These complexities can lead to an inability to capture opportunities or respond successfully to global or local challenges.

Figure 6: Modernization of Operations



Source: Researcher's Field data, 2011

4.6 Improvement in Workforce

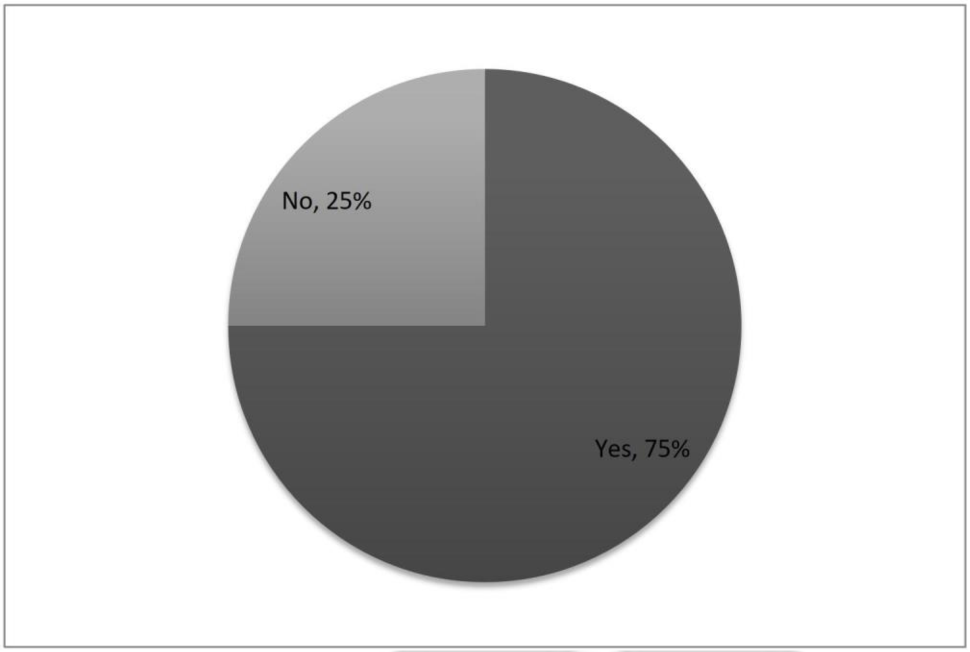
Management indicated that along with the divestiture of the Bank in 1996 came with the reconstitution of the board of directors and management team. The bank has since witnessed periodic changes in management, all aimed at injecting competence and efficiency in its operations. Over the years, GCB has undertaken a major manpower rationalization programme aimed at right-sizing the workforce to make it competitive and to improve its efficiency. According to management Ghana Commercial Bank can boast of many Ghanaian professionals from various disciplines running the bank. From Figure 7, 75% of the respondents indicated that there has been improvement in the workforce, with only 25% of them stating otherwise.

Management indicated that a new structure is being introduced which will be fully operational by the 1st of November 2011 which has taken the following into consideration. The need to:

- Increase efficiency through specialisation
- Apply specialist knowledge to achieve goals
- Provide opportunity for leadership development and succession planning
- Improve communication and the flow of information
- Focus on sales activity
- Recognise business or operational activity rather than staff grade
- Align Accountability with Authority

Attracting, developing and retaining human capital, the key for pursuing sustainable growth, is critical. PriceWaterhouseCoopers (2011) emphasized that a successful human capital transformation should originate from banks core business operations and must fit into the bank's strategy to be successful. This approach ensures that change is not only performance driven but also centered around the knowledge, skills and talent that support performance and growth.

Figure 7: Improvement in Workforce

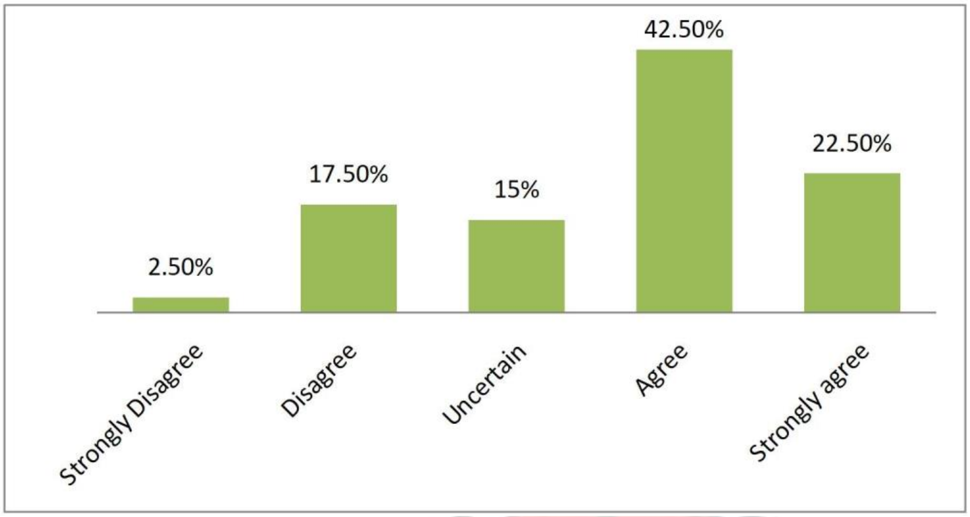


Source: Researcher's Field data, 2011

4.7 GCB Offers Lower Prices s than Competitors

According to Wunderman (2000), charging a lower price than competitors to customers create structural bonds leading to loyal customers. Aboagye-Debrah (2007) indicated that the local banks charge lower prices than the foreign banks and emphasized that GCB's strength lies in its lower charges. From Figure 8, 20% of the respondents indicated that they disagree that GCB offers lower prices than its competitors. 15% of the respondents were uncertain and 65% of them were of the view that GCB offers prices lower than its competitors.

Figure 8: GCB Offers Lower Prices s than Competitors



Source: Researcher's Field data, 2011

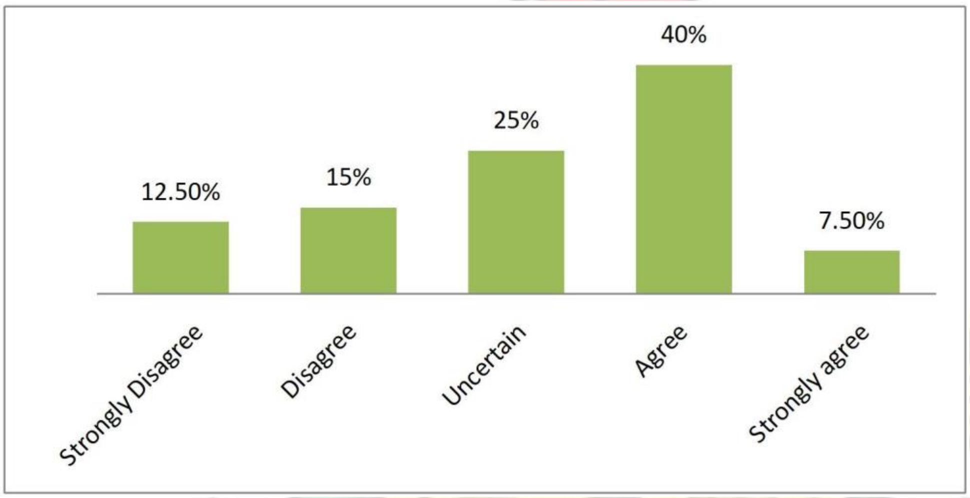
4.8 Does GCB Offer Convenient Services than Competitors

It seems apparent that technological innovation enhances banking operations. IT affects financial institutions by easing enquiry, saving time, and improving service delivery. In recent decades, investment in IT by commercial banks has served to streamline operations, improve competitiveness, and increase the variety and quality of services provided. Implementation of information technology and communication networking has brought revolution in the functioning of banks and the financial institutions (Chen and Corkindale, 2008).

Commercial bank is making huge investments in technology to maintain and upgrade its infrastructure, in order not only to provide new electronic information-based services, but also to manage their risk positions and pricing. At the same time, electronic services is making it possible for the bank to take advantage of new technologies at quite reasonable

costs. These developments have ultimately made the bank offer convenient services (GCB, 2003). As indicated under Figure 9, 27.5% of the respondent stated that they disagree that GCB offers convenient services than its competitors. Whilst 25% of the respondents were uncertain 47.5% on the other hand indicated that GCB provides
convenient services than its competitors.

Figure 9: GCB Offers Convenient Services than Competitors

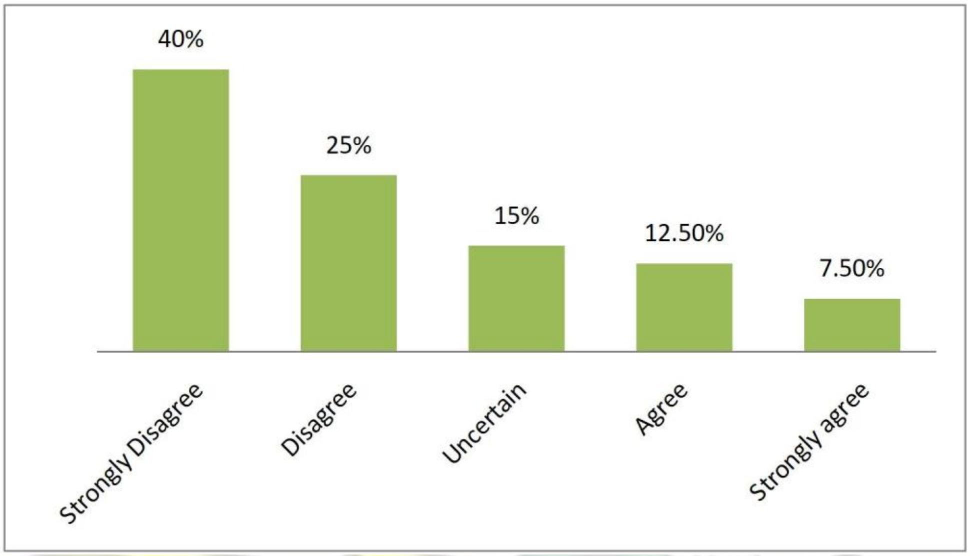


Source: Researcher's Field data, 2011

4.9 Does GCB Offers Quality Services than Competitors

When the employees were asked to state in their opinion whether GCB offers quality services than their competitors, 65% of the respondents indicated that they disagree that GCB offers high quality services than its competitors. Whilst 15% were uncertain 20% of the respondents agreed that GCB offers high quality services than its competitors. According to Bolton *et al.* (2000), the quality of services is considered to be a critical success factor for service companies. Cronin and Taylor (1994) on the other hand emphasized that the quality of a service has a positive impact on customer's repurchase intentions and intentions to recommend the company to others.

Figure 10: GCB Offers Quality Services than Competitors

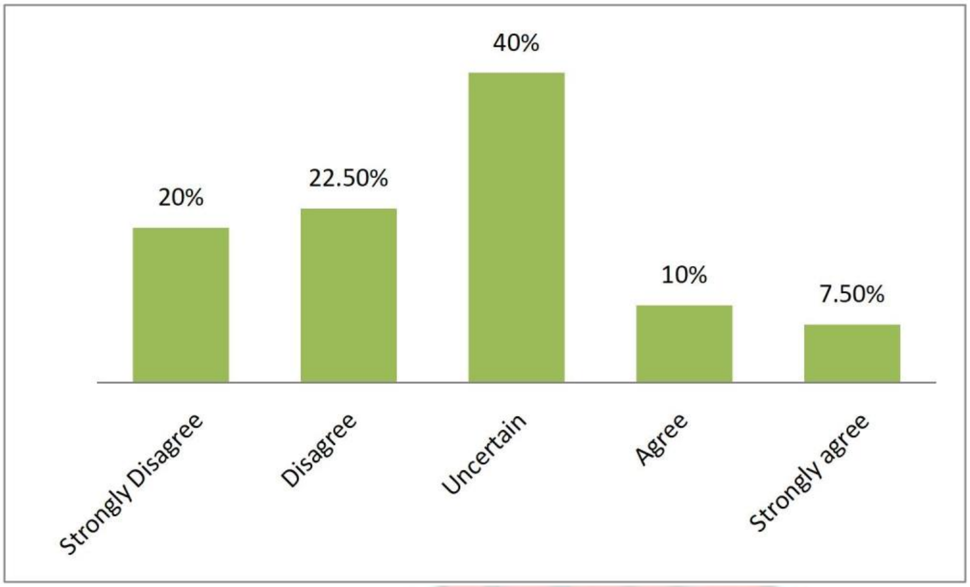


Source: Researcher's Field data, 2011

4.10 GCB Offers More Products than Competitors

As indicated under Figure 11, 42.5% of the respondents emphasized that they disagree that GCB offers more products than its competitors. Whilst 40% of the respondents wee uncertain 17.5% on the other hand agreed that GCB offers more products than its competitors.

Figure 11: GCB Offers More Products than Competitors

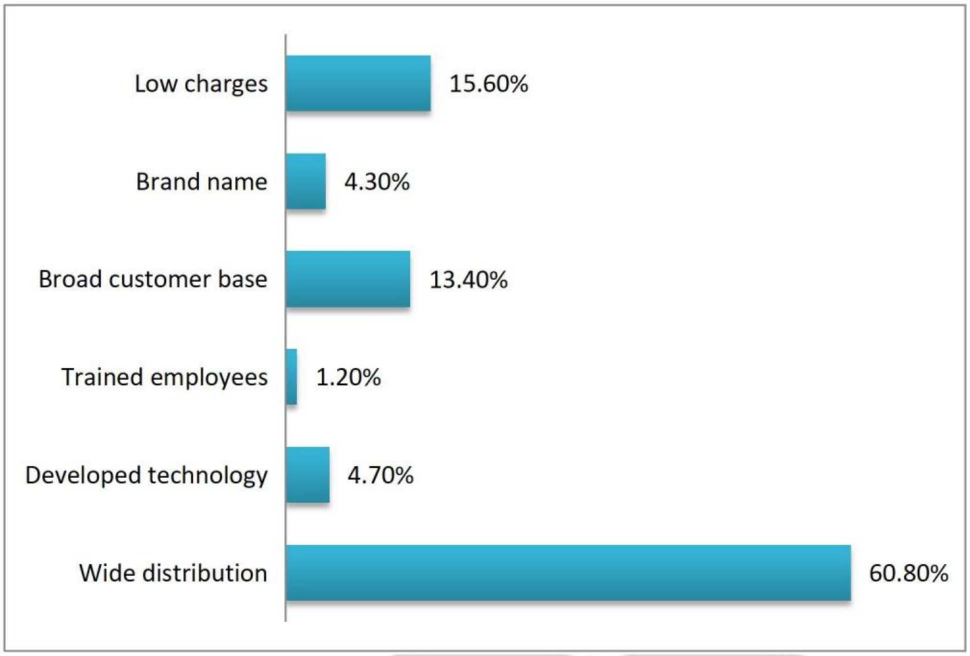


Source: Researcher's Field data, 2011

4.11 Strength of GCB in the Banking Industry

According to Krakah and Ameyaw (2010), from the one branch of the 1950s, GCB now has over 150 branches and over 10 agencies throughout the country. Aboagye-Debrah (2007) also indicated that the strength of GCB lies in the following, wide branch network; accept deposits from low income group/small deposit requirement; Wider customer base; Perceive as local and indigenous bank; Strong in private inward remittances business. The respondents indicated that the strength of GCB in the highly competitive banking industry is its wide distribution. 60.8% of the respondents indicated that GCB's strength lies in its wide distribution network. 15.6% also indicated that the strength of GCB is its low charges. 13.4% indicated that the strength of GCB is its broad customer base with 4.7% indicating that GCB's strength lies in its developed technology. Whilst 4.3% of the respondents were of the view that the strength of GCB is its brand name, 1.2% of the respondents on the other hand indicated that the strength of GCB is its trained employees.

Figure 4.12: Strength of GCB

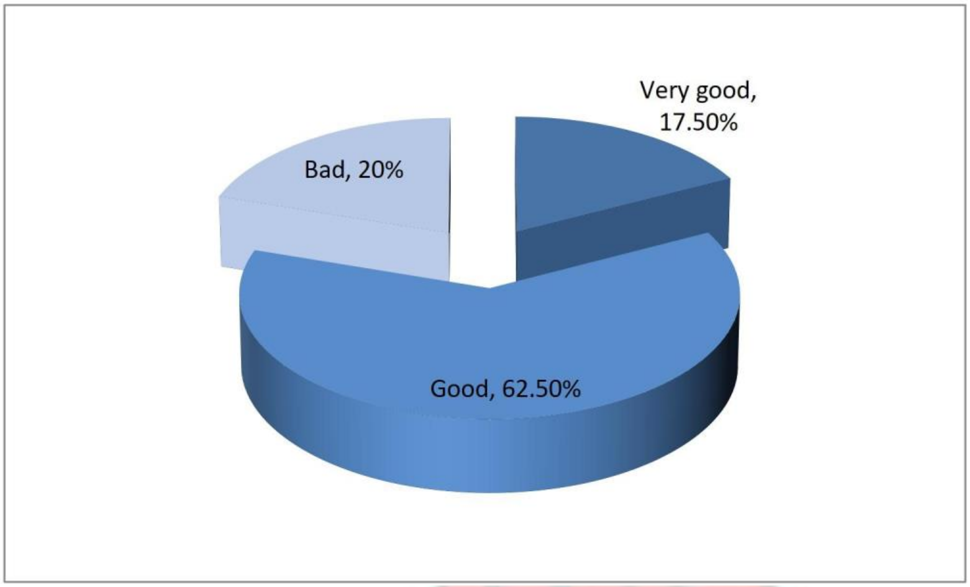


Source: Researcher's Field data, 2011

4.12 Performance of GCB

GCB has been making profit consistently since it was established and continue to perform better every year with an eye on responsibility towards the nation (GCB, 2003). From Figure 13, 62.5% of the respondents indicated that the performance of GCB has been good. With 17.5% of the respondents stating that GCB's performance is very good, 20% of the respondents on the other hand were of the view that the performance of GCB is bad.

Figure 4.13: Performance of GCB



Source: Researcher's Field data, 2011

CHAPTER FIVE

FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 Summary of Findings

5.1.1 Challenges that Ghana Commercial Bank encounters in its Operations

Management indicated that with the introduction of universal banking by the Central Bank of Ghana in 2003, there have been many new entrants in the Ghanaian banking industry from then to date, who are all competing for a fair share of the same market. This has caused a shift in the market share of the existing traditional banks to accommodate the new entrants who are still competing for an even bigger share of the market.

Another challenge that Ghana Commercial bank faces is that the customer is now aware of his bargaining power and is certainly using it to his advantage. The customer is able to negotiate for the services he is offered in terms of interest on his investments and service charges. This management indicated is because the industry has grown so rapidly within the past few years and also because of the emergence of several local and multinational banks in the Ghanaian economy.

Another challenge that Ghana Commercial Bank faces is the influx of non-bank financial institutions. This has resulted in general innovative practices that hitherto did not exist in the industry.

Aboagye-Debrah (2007) indicated that the banking industry in Ghana has undergone a lot of transformation over the past two decades due to policies implemented under the financial sector reforms. The number of banks has increased due to easy entry and exit. This has resulted in the diminishing of supplier power while customer power has increased due to increasing customer sophistication and knowledge as well as more banks available to customers to decide which bank to do business with. The industry has also witnessed increasing innovation and the threat from substitute products is eminent.

According to management one challenge that the bank faces is government's influence on its operations. Management indicated that the bank could have performed much better if government had not always twisted their arms. They indicated that the government should give Ghana Commercial Bank a free hand to operate as a true limited liability company devoid of any government interference and guided by company law.

5.1.2 GCB has lived up to its objectives

The founding of GCB was in fulfillment of an economic goal. It was designed, first, to establish firm banking infrastructure for effective mobilization of domestic resources; secondly, to assist in meaningfully integrating the indigenous population in national development processes as well as improve the prospects for regional balance; and lastly, to increase the effectiveness of monetary and fiscal policies by integrating more people into the financial system and getting more access to savings through the banks extensive branch network.

Poverty in Ghana is largely a rural phenomenon and so attempts to reduce it through financial intermediation necessitated the opening of more branches throughout the country, including particularly the rural areas that have been abandoned by other commercial banks.

GCB has grown remarkably to become the largest commercial bank in Ghana with a network of over 150 branches with over 60 percent of them in the rural areas (GCB, 2003). According to management, these broad objectives have been, and continue to be met. Over the past 50 years, GCB has extended banking services to rural areas where the majority of the people live and work, and where the bulk of the nation’s wealth is produced

5.1.3 Competitive Advantage

A competitive advantage that the bank has is the role the bank has played and continues to play in the development of the Ghanaian economy – a role that no other bank has played. The Ghana Commercial Bank has lived up to its establishment objective of providing banking services to indigenous businesses and individuals in all sectors of the economy.

Also GCB charge friendly and affordable rates for the saving public, considering the levels of salaries of the average Ghanaian worker, as well as pensioners and others who have contributed immensely to the economy over the years.

5.1.4 Reposition of Ghana Commercial Bank

Management indicated that their drive is to take the business from Good to Great - to be a customer focused Bank in which all staff members are engaged and have the opportunity to realize their full potential.

Repositioning itself, the bank is now aligned to give a greater focus on the customer and to offer services at lower prices than its competitors. This, the bank indicated is to position itself to become a business that is customer focused and efficient. Even though technical inefficiency has been falling due to competition, it still remains the driving force behind overall inefficiency in the industry. Integration of efficiency and profitability into the analysis shows that profitability will improve if efficiency improves.

Management has indicated that to be efficient it must focus on reviewing their internal processes on an ongoing basis to remove all input-slackness deriving from under-utilisation from their production process. This will open up avenues for factor inputs to be fully utilised so as to shed off the cost arising from technical inefficiency. The bank attempts to attract a large client base to enhance scope of operations to avoid the inefficient costs deriving from inappropriate size. This is important because it has the potential of lowering prices, which are at the moment very high in the industry.

5.2 Conclusion

Competition in the Ghanaian banking industry is increasingly important if banks are to satisfy the needs of the public at the least social cost. The nature, incidence and intensity of competition have an important impact on market performance and have high relevance to devising and applying a competition policy. Even though there has been a certain measure of competition since the advent of FINSAP, it is not as intense as one would have liked to see and the competition is driven mainly by the four leading banks who together control the biggest chunk of the market (Korsah, Nyarko and Tagoe, 2001).

In conclusion, management emphasized, with a reputable management and professional team in place, a computerization programme, a well-designed corporate plan and above all, a committed work force, GCB has the potential to be a national asset that makes Ghana proud. Management indicated that they will ensure that the basic and essential national interest is not compromised and believe that Ghanaians would be proud to see the bank grow in stature as a national asset.

5.3 Recommendations

To be able to cope with the competitive pressures in order to remain in business, Ghana Commercial Bank is expected to recognize the need for conscious efforts to be made to beat the competition. Customers multiple relationship with bankers, that is on customers banking with two or more banks simultaneously, place on bankers the responsibility of ensuring that their customers get value for their money and benefit from efficient and reliable service. The corporate customer in particular is well placed to have potential access to more than one bank. GCB should therefore be customer centered and create value for its client to avoid customers defecting to competitors.

Obviously, the banks with the most attractive credit management policy and highest interest rate on deposits are mostly likely to exert the greatest pull on the resources of customers. Prospective customers are desirous of transacting business with whatever bank offers the best terms (Nuamah, 1998). Ghana Commercial Bank should be innovative to be able to remain in competition. They need to cultivate the habit of exploring new ways of doing things because innovation is crucial to the survival of banks in the rapidly changing environment.

As competition intensifies, exploring their weaknesses to advantage and benefiting from their strengths constitute part of the game of fair competition. The human resource in an organization is perhaps the most reliable agent of competition. The level of skills, knowledge and attitude of banking staff can make a lot of difference between an efficient and inefficient bank. It is imperative for Ghana Commercial Bank to train bank personnel in the requisite skills and professional competence comparable to international standards. The training should enable the staff to initiate business proposal and negotiate with customers confidently and successfully. Ghana Commercial Bank needs to develop the expertise for managing credit risks efficiently in order to reduce the development of nonperforming loans to ensure earning capacity.

Ghana Commercial Bank should be equipped with the state-of-the-art information technology and systems in computerization. Management should be mindful of the fact that time is money and therefore timeliness and efficiency are critical factors to gain a competitive advantage. Management should encourage the development of compatible IT infrastructure so that the bank can pool resources and lower technological cost in their operations to enhance efficiency.

Ghana Commercial Bank is determined to perform better every year with an eye on responsibility towards the nation. To management, managing the operations in the rural areas is costly as compared to the urban areas. To be able to maintain rural banking operations it is recommended that Ghana Commercial Bank be given the opportunity to convert some of the rural branches into rural banks that are tax-exempt so that they can be maintained.

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APPENDIX 1

QUESTIONNAIRE FOR OFFICIALS OF GHANA COMMERCIAL BANK

Thank you for accepting to participate in this research on Building competitive advantage in a changing environment – repositioning of Ghana Commercial Bank, the objective of which is to satisfy an academic requirement only. Confidentiality of any information provided by you shall be guaranteed and your identity will not be disclosed under any circumstance. Your kind co-operation is very much appreciated.

Please tick (√) where appropriate and provide details where necessary. Thank you.

1. Sex
   [] Female [] Male

2. Age
   [] Below 20years [] 21-30years [] 31-40years [] 41-50years [] 51-60years

3. For how long have you personally been working with GCB?
   [] Less than 1 year [] 1-2 year []3-4years [] Over 5 years

4. Highest academic attainment
   [] Masters (MA, Msc or MBA) [] Bachelors (BA, Bsc or BBA) [] Professional certification [] Higher National Diploma (HND)
   [] Others, please state...

5. Status in the organisation?
   [] Senior staff [] Junior staff [] Management staff

6. As a staff how do you perceive your relationship with customers of Commercial Bank?
   Very cordial [ ] Cordial [ ]
   Unpleasant [ ] Very unpleasant [ ]

7. Has Ghana Commercial Bank lived up to its establishment objective?

   [] Yes [] No

8. Please give reason(s) for you answer?

………………………………………………………………………………

………………………………………………………………………………

9. Does the public have confidence in the bank?

[] Yes [] No

10. Has management modernized the operations of the bank?

[] Yes [] No

11. Has there been any action by management in improving the workforce to make it competitive and efficient?

[] Yes [] No

12. Please give reason(s) for you answer?

………………………………………………………………………………

………………………………………………………………………………

The following set of statements relate to your feelings about GCB. For each statement, please show the extent to which you believe GCB has the feature described by the statement. If you strongly agree that GCB posses a feature, circle 5, and circle 1 if you strongly disagree.

1. Strongly disagree. 2. Disagree. 3. Uncertain. 4. Agree. 5. Strongly agree

13. GCB offer lower priced products than its competitors **1 2 3 4 5**

14. GCB offers more convenient services than its competitors **1 2 3 4 5**

15. GCB offers high quality service than its competitors **1** **2** **3** **4** **5**

16. GCB offers variety of products than its competitors **1** **2** **3** **4** **5**

17. In the series of questions below, please tick (√) the responses that best reflects the strength of GCB in the banking industry

[] The National Presence and wide distribution network

[] Well developed technology such as ATMs, mobile banking, master card etc.

[] Trained employees and human capital

[] Broad Customer Base

[] Brand Name

[] Low Charges

18. How do you see the performance of GCB?

[ ] Very good [ ] Good

[ ] Bad [ ] Very bad

19. In your opinion what has management done to position itself in the banking industry?

………………………………………………………………………………………..

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20. What in your opinion makes GCB more competitive than the other banks?

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21. What are the challenges that GCB encounters in the banking industry?

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APPENDIX 2

INTERVIEW GUIDE FOR MANAGEMENT OF GHANA COMMERCIAL BANK

1. Has Ghana Commercial Bank lived up to its establishment objective?
2. Does the public have confidence in the bank?
3. How has management modernized the operations of the bank?
4. What attempts has the bank made in the reduction of poverty in the rural areas?
5. What would you suggest could be done to maintain the rural banking operations?
6. How do you see the interference of government in your operations?
7. How do you see the manpower needs of the bank?
8. Has there been any action by management in improving the workforce to make it competitive and to improve its efficiency?
9. How do you see the performance of GCB?
10. What institution has GCB promoted to provide equity and long-term financing for Ghanaian firms?
11. Have you gotten any foreign recognition?
12. How has management repositioned itself after FINSAP?
13. What seriousness does management attach to computerization of banking operations?
14. What in your opinion makes GCB more competitive than the other banks?

15. What are the challenges that GCB encounters in the banking industry?