

**A SURVEY OF EXPANSION STRATEGIES ADOPTED BY COMMERCIAL BANKS IN
KENYA**

By

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Declaration

I declare that this is my original work and has not been presented in any other University for examination/academic purposes.

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This research project has been submitted with my approval as the university supervisor.

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Dedication

This work is dedicated to my family for their support and encouragement throughout the entire study period.

Acknowledgement

I wish to take this opportunity to acknowledge the contributions of my supervisor, Dr.Martin Ogutu without whose invaluable support, this work would not have been possible to undertake.

TABLE OF CONTENTS

Declaration.....	i
Dedication.....	iii
Acknowledgement.....	iii
List Of Tables.....	vii
Abstract.....	viii
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.1.1 Business Expansion in the Banking.....	2
1.1.2 Commercial Banks in Kenya.....	3
1.2 Statement of the Problem.....	4
1.3 Research Objectives.....	6
1.4 Importance of the Study.....	6
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1 Expansion Strategies.....	8
2.2 Expansion Strategies Models.....	11
2.2.1 Market Penetration.....	12
2.2.2 Market Development.....	12
2.2.3 Product Development.....	13
2.2.4 Expansion/Diversification.....	13
2.2.5 Firm Performance and Expansion Strategies.....	14
2.3 Reasons for Expansion.....	16
2.3.1 Financial Health.....	18
2.3.2 Industry and/or Market Attractiveness.....	18
2.3.3 Availability of Workforce Resources.....	19

2.3.4 Access to Distribution Channels	19
2.3.5 Government Regulatory Policies	19
2.4 Challenges of Expansion.....	20
2.4.1 Legal Restructuring.....	20
2.4.2 Franchising.....	20
2.4.3 Strategic Alliances	21
2.4.4 Learning and Innovation.....	21
2.4.5 Infrastructure Development and Technology Application	22
2.4.6 Government Policy and Regulation	22
2.4.7 Business Culture.....	22
CHAPTER THREE: RESEARCH METHODOLOGY.....	24
3.1 Research Design	24
3.2 Target Population	24
3.3 Sample Design	24
3.4 Data Collection	24
3.5 Data Analysis.....	25
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS	26
4.1 Company Demographics	26
4.2 Expansion Strategy	26
4.4 Factors Influencing Expansion Strategy.....	28
CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS	31
5.1 Introduction	31
5.2 Discussions	31
5.3 Conclusions	32
5.4 Recommendations.....	33

5.5 Suggestions for Further Research	33
APPENDICES.....	38
Appendix I: Respondents Letter	38
Appendix II: Questionnaire	39
Appendix III: Commercial Banks in Kenya.....	45

LIST OF TABLES

Table 1: Number of Employees in the Bank.....	26
Table 2: Expansion Strategy Model Used	27
Table 3: Extent That Expansion Strategy has Been Successful.....	27
Table 4: Strategies Used by the Banks in Expansion	28
Table 5: Factors Influencing the Choice Of Expansion Strategies Adopted by Banks	28
Table 6: Challenges Affecting the Choice of the Expansion Strategy.....	30

ABSTRACT

The banks are employing both acquisition and start-up in their regional expansion strategies. Financial pundits opine that it would be prudent for the banks to consolidate themselves in the local market before going regional. With only 20 per cent of Kenya's population banked, there is need for banks to strategise and reach more of the un-banked, which would constitute a big business growth as opposed to regional. Therefore, expansion strategy is vital to the adaptation of the changing business environment. This study therefore sought to determine the expansion strategies adopted and to establish factors influencing expansion of commercial banks in Kenya.

This study adopted a census survey design. The population targeted comprised of all the banks licensed to operate in Kenya by the Banking Act as at April 30, 2009. According to the Central Bank of Kenya, Economic Review of May 2009 the banking sector comprises of 43 commercial banks. The study was done using census survey commercial banks. Primary data was collected using a structured questionnaire. Secondary data was collected from various documents including Banking Surveys and Economic Reviews from Central Bank Supervision annual reports. Data was then analyzed statistically using descriptive statistics such as mean score, percentages and frequencies. Data was then presented using frequency tables.

The study found that all the commercial banks in Kenya had undertaken a major expansion since they were started. The expansion strategies adopted by these banks were physical branch distribution network, infrastructure software and electronic distribution systems and mergers and acquisitions. The distribution channels used to reach all the consumers in expansion were contracting distributors, locating the banks where they were accessible by most customers, mobile bank branches, bank agents, Internet banking, automated teller machines (ATMs), POS devices, EFTPOS devices and mobile phones. The study therefore recommends that for commercial banks to successfully undertake their expansion strategies, they should ensure that they employ the best strategies for their expansion. For such a strategy to succeed, these commercial banks should have the prerequisite capital to implement the expansion and ensure that there is an attractive market before expanding. They should have appropriate and adequate workforce to implement and support their expansion. Absence of these co operant factors can be

addressed through means such as outsourcing of the experts from the labour market or developing and training employees so as to equip them with the needed skills to undertake the assignment.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In order to be effective while growing, banking must respond to the opportunities, challenges, risks and limitations posed by the external environment (Costa, 1997). To better understand the external forces of change and so develop effective responses which secure or improve their position in the future, organizations need to scan their business environment Auster and Choo, (1994). In this context, environmental scanning may be regarded as the acquisition and use of information about events, trends, and relationships in an organization's external environment, the knowledge of which would assist management in planning the banking future course of action (Aguilar, 1967; Costa, 1997; Costa and Teare, 1996; Fahey and King, 1977).

According to Aguilar (1967), this acquisition of external information may be done formally and/or informally depending on the approach taken by the bank. The scanning activity can also be more or less structured as Fahey and King (1977) support. From their perspective, it can be irregular (mainly as a reaction to a crisis), regular (more comprehensive and systematic than the previous being typically decision or issue oriented), and continuous (an ongoing monitoring of various environmental factors such as political, economic, social and technological). In addressing the way in which banking organizations regard their business environment, Slattery and Olsen (1984) point out that they are still some way away from evolving accurate perceptions of the environment and co-coordinating these into an overview of the corporation's environment.

Several authors have conducted research on environmental scanning in the international banks with the purpose of assessing the environmental scanning practices of banking firms and to learn how their executives view the uncertainty of the global business environment (Costa, 1997; Kim and Olsen, 1993; West and Anthony, 1990; West and Olsen, 1989). To date, however, no research studies have been conducted to explore the perspectives of banking firm's unit managers on scanning the international banking sector as a basis for the development of business expansion strategies. In order to better understand the relationship between scanning and business expansion strategies a review of the literature in these fields is provided.

1.1.1 Business Expansion in the Banking

In respect of expansion in the banking sector, Burger (1995) stress that although it offers many benefits to the firms operating in this sector, there are also many complex issues associated with global expansion. Some of these issues have been identified by Dymsha (1972) who highlights the following as most relevant; firms must deal with multiple political, economic, legal, social and cultural environments as well as various rates of change within each of them. National and foreign environments are complex because of national sovereignty issues and widely differing economic and social conditions. Social cultural, national differences and variations in business practices all tend to make communication between headquarters and overseas affiliates difficult. Present and future competition may be more difficult to undertake in a number of countries because of differences in industrial structure and business practices. The degree of significant economic, marketing and other information required for planning varies a great deal among countries in availability, depth and reliability.

According to Fish and Rudolf (1986), these complexities are especially important in the banking industry where changing environmental conditions can have a large impact on banks returns. In order to overcome these complexities, Go et al. (1990) propose a decision criterion for transnational expansion. These organizations from their viewpoint, usually determine marketing opportunities in a country by way of a four-step process which are general environment, market potential, sales and weighting prospective profitability versus risks. They further emphasize that analysis of the business environment takes on a much more significant dimension in plotting international expansion. Such an analysis includes studying political, economic and social aspects of the target country.

Another angle of expansion has been approached by Dunning and McQueen (1982) who use economic theories to explain the strategies adopted by some large banking organizations when expanding their business. The strategies of business expansion in the banking sector have been looked at occasionally by researchers who did not distinguish processes from strategies. However, organic growth and licensing have been regarded as the main strategies for banks business expansion. This importance of monitoring the environment has been emphasized by West and Olsen (1989), who maintain that the information resulting from this process can be

used for strategic purposes. It is their view that the increased complexity, the acceleration in the rate of change and the variability in the environment and resulting trends have brought about a need for management to develop methods of monitoring the environment.

Regarding strategic planning for banking organizations, Litteljohn (1991) argue that, apart from the obvious service nature of the industry, applications of strategy will have to take into account the variability of conditions in different locations due to the multi-site nature of hospitality operations. They also stress the need to plan corporate wide issues and the overall distribution of bank portfolios when deciding where new units should be opened and existing ones disposed of.

1.1.2 Commercial Banks in Kenya

The number of commercial banks in the sector declined to 46 in December 2005 from 48 in June 2005 following mergers. Among the recent mergers are CFC/Stanbic Bank merger, EABS-Akiba Bank merger, EABS/ECOBANK merger and the yet to be finalized Equity/Uganda microfinance merger. The mergers have been aimed at strengthening the financial base of the resulting firm hence increasing its competitiveness. Other non-bank financial institutions (NBFIs) include mortgage finance companies, building societies and SACCOs, which also provide basic banking services (Monthly economic review; Jan 2006 issue) According to the Central Bank of Kenya, during the year to December 2005, the balance sheet of the banking sector expanded with total assets increasing by 10% to KShs. 643 from KShs. 514 billion in December 2004. The sector recorded an improved performance in 2005 with pre-tax profits increasing by 48% to stand at 20.1 billion from KShs 13.6billion in 2004.

According to an Annual Bank Supervision report (2005), the Kenyan economy recovered to expand with a GDP growth of 5.2% in 2005 compared to overall 4.3% in 2004. During the year, the economy enjoyed a favorable macroeconomic environment, consistent with low and stable interest rates, strengthening shilling exchange rate and falling inflation.

The banking sector has embraced changes occurring in Information Technology with most banks having already achieved branchless banking as a result of the adoption of communications options. According to The Central Bank Annual Supervision report (2003), the increased

utilization of modern information and communications technology has for example led to several banks acquiring ATMs as part of their branchless development strategy measures.

The Central Bank notes that advancement in Information and Communications Technology (ICT) in the banking industry has enhanced efficiency and improved customer service. This is reflected particularly in the increased use of ATM cards resulting from broadening of ATM network, including additional ATM machines and a wider network of merchants that accept payment through credit/debit cards. Several banks have also entered into the Internet Banking and established websites. Internet banking however is still at its infancy and more in terms of utilization is expected in this sector.

The level of competition between banks is therefore very high to attract the retail customers as just their numbers there comes in a big chunk of business either in form of deposit or loans. There has been a shift from waiting for the customers to come to the banks, to now the bank going out of its way to look for the customers. Commercial banks have now adopted strategic issue management to succeed in a world of competition.

1.2 Statement of the Problem

The banks are employing both acquisition and start-up in their regional expansion strategies. Financial pundits opine that it would be prudent for the banks to consolidate in the local market before going regional. With only 20 per cent of Kenya's population banked, there is need for banks to strategize and reach more of the un-banked, which would constitute a big business growth as opposed to regional. Therefore, expansion strategy is vital to the adaptation of the changing business environment. According to the Government of Kenya economic survey (2000), implementation of structural adjustment program and subsequent market liberalization opened the Kenyan market, leaving businesses at the mercy of market forces. As a result, businesses faces increased competition and registered low profits and even losses.

This could probably be attributed to lack of strategic expansion practices (Abdalla, 2001). The literature continually advocates that evaluation is a necessary process to establish whether expansion strategies has been effective in meeting individual and organizational priorities, to enable judgments to be made about cost effectiveness, and to aid organizational learning and

improvement. Despite expansion absorbing real and substantial costs, and considering Beddowes (1994) conclusion that the clarity of organizational objectives in terms of expansion has led to an increased emphasis on the evaluation of return on investment, Doyle (1994) observes that systematic evaluation rarely occurs within organizations. Making causal connections between investment in expansion, and future management performance and organization success is externally difficult.

Following the background of this study, it is only those commercial banks that are able to adapt to the changing environment and adopt new expansion strategies can be guaranteed hope of survival. Some of the forces of change that have greatly influenced the banking industry include intense competition, regulation, and technological advancement. Strategic expansion in the banking industry demand that banks should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved through expansion strategies. To cope with these changes in the environment, most banks are beginning to adopt a series of counter measures. Most have turned to offering new types of services through their strong nationwide branch networks. To better customer needs and keep up with competitors, banks all over the world have started to employ advanced IT technologies and jumped on the bandwagon of launching internet banking. Internet banking together with telephone banking and call centres are being offered by many banks. Several researchers have done several researches in the banking industry for example Mukule (2006) concentrated on retail marketing strategies adopted by commercial banks in Kenya, Nyaga (1986) researched on the adoption of the marketing concept, the case of Kenya financial institutions. While Muriithi (1996) looked at the analysis of customer service by commercial banks in Kenya. None of these researchers has focused on the expansion strategies adopted by commercial bank in Kenya. The aim of this paper is to examine the best economic expansion strategies adopted by commercial banks in Kenya. The study therefore sought to establish the expansion strategies adopted by banks in Kenya and the factors that influence their expansion.

1.3 Research Objectives

- i. To determine the expansion strategies adopted by commercial banks in Kenya
- ii. To establish factors influencing expansion of commercial banks in Kenya

1.4 Importance of the Study

i) To managers

The study will increase managers of Commercial Banks in Kenya understanding and appreciation of the expansion strategies that relate to the industry. The study will also assist other small banks managers make appropriate decisions following the sample strategies that have been implemented by the Commercial Banks in Kenya to successfully expand their operations. Managers will also be made aware of the challenges that have been experienced in the adoption and implementation of particular strategies this will help them make appropriate adjustments to counter these challenges and achieve optimal results.

ii) To regulators and policy makers

The study will provide insights on the strategies that can enhance the sector's growth, and hence guide in regulation and policy formulation. This will therefore help policy makers of the Banking sector such as Central Bank and ministry of Finance and Planning among others with the development and review of existing policies to achieve synergy with the existing circumstance.

iii) To the users of banking services

The study will assist users understand the prospects of development in the banking industry and appreciate them. This is important because any cost implications, which may be passed to the customers in exchange for better service delivery, will be accepted. The users will also be able to predict the future of the Commercial Banks and prepare to conform.

iv) To researchers and academicians

The study will avail material for reference by future researchers and academicians on the same topic of expansion strategy. In addition the study will also highlight other topics of future research like the relations between strategies adopted and firms industry competitors.

CHAPTER TWO: LITERATURE REVIEW

2.1 Expansion Strategies

Expansion strategies of banks add value to the firm. However, if diseconomies prevail, both will be destroyed. In an information and distribution intensive industry with high fixed costs such as financial services, there should be an ample potential for scale and scope economies. Economies of scale exist when the average cost decreases in scale over a relevant range as output expands. If this occurs, then larger institutions may be more efficient. Some lines of business benefit from scale while others may be hampered by it. Examples of potential gains of scale in banking activity include physical branch distribution network, infrastructure software, electronic distribution systems and mergers and acquisitions.

Indeed, some recent studies of bank cost scale efficiency, using data from the 1990s, suggest that there may be substantial scale economies even at large bank size, possibly due to technological progress, Berger et. al (2000). These studies tend to show that the threshold level is increasing compared with previous studies. In this connection, some other recent studies related to the European experience (Altunbas et. al., 1997 and Goddard et al., 2001) show that, in various European countries, banks can obtain cost savings by increasing the scale of production as well as by reducing managerial inefficiencies. Scale diseconomies may arise due to co-ordination and administrative costs from offering broad range of products.

Economies of scale exist when the average cost falls as more products are produced jointly rather than separately, that is, they occur when expenses may be lowered if a bank can offer several products at a lower cost than it could separately. In other words, providers of multiple products and services produce them at a lower cost than their specialized predecessors. Therefore, there are competitive benefits to be obtained by selling a broader rather than narrower range of products. Economies of scale are explained by the firm's ability to use the same delivery mechanism to provide two or more separate services (Machel, 1997). Most empirical studies have failed to find economies of scale in banking, insurance, and securities industries, with very little evidence of significant cost scale or diseconomies within the banking, securities, and insurance industries (Saunders, 1996).

Santomero and Eckles (2000) stress that the real gain of multi-product distribution may not be in production efficiencies but in customer service, in what they denominate “consumption economy. It derives from the cross selling potential of a financial firm that produces various products and services (Banking, insurance, and asset management). The result will be higher revenue and a better return from any customer segment, if consumers of financial services find it more advantageous to purchase multiple products from the same provider. Consequently, banks can increase their profits without any significant enhancements in their operational efficiency he literature also refers to the “consumption economy” as revenue economy that results from an increase in scale associated with consolidation, because some customers may prefer the services of larger institutions.

Focusing on cross-border consolidation, Berger et al. (2000) state that a related revenue efficiency effect that is particularly relevant for cross-border consolidation concerns the benefits from serving customers that operate in multiple nations, which often require or benefit from the services of financial institutions that operate in the same set of nations. That is, multinational on-financial firms may want to do business with multinational financial institutions. Presumably, the cross-border consolidation of financial institutions in recent years derives at least in part from the cross-border consolidation of non-financial industries (and vice versa as well). Empirically, some authors have found significant disparities in cost structures among banks of similar size, suggesting that the ways in which banks are run can be more important than their size or the range of business that they pursue. In other words, management efficiency per se may be amore important factor than scale economies in bank performance.

This may suggest that any shareholder value gains in many of the financial services mergers in the 1990s were more highly associated with increases in production and management efficiency than scale and scope economies (Walter, 1999 and Molyneux, 2000). The relevant question is whether or not any of these economies are both real and substantial. The available empirical evidence suggests limited prospects for firm-wide cost economies of scale and scope among major financial services firms as already stressed. Some authors argue that cost economies are likely to be lost as the organization grows too large and too complex. In this case, the benefit of multi-product distribution may not be enough to outweigh costs. However, if there are doubts

about benefits of economies of scale and scope, revenue gains related to multi-product distribution appear to be real. The expanded product array and potential for cross selling suggest that real revenue benefits result from larger size and depth of product offering. Considering the issue of stability, proponents of the stability argument assert that larger universal banks benefit from higher earnings-source diversification, increased operating earnings stability, and higher valuations.

A bank can, in principle, reduce its risk by expanding their activities into product lines whose returns are imperfectly correlated with those for the bank's existing products and services. Benefits from earnings diversification may increase bank value in several ways, since diversification may lower bank risk and reduce the possibility of failure Thompson (1993). First, reduced risk directly translates into reduced probability of incurring distress costs. The literature refers to these efficiency gains as improvements in the risk/expected return trade-off. On the other hand, an increased geographical spread of risks associated with cross-border consolidation may improve an institution's risk/expected return trade-off. The literature on commercial banks in the US generally found that larger, more geographically diversified institutions tend to have better risk/expected return trade-offs (Berger et al., 2000.). Second, a financial firm may be able to increase the level of some risky, yet profitable, activities such as commercial lending, without additional capital being necessary. This occurs for the largest universal banks, because these activities can have a minority share in the total of their business so that eventual losses in some line of activity could be normally absorbed by the institution (Roth, 1991).

There are also some arguments that a broader franchise results in a less stable firm. First, a bad outcome in anyone line of business may have a magnified effect on all lines of business and on the core franchise itself, in this way increasing the probability of failure. Second, activities are added to this firm because of a perception of the management that the firm has comparative advantage in producing an underlying product or assessing an underlying risk, Santomero and Eckles (2000). Third, the efficiency of a financial institution may decrease if the consolidation creates organizational diseconomies to operate a larger, more diverse enterprise, or makes it difficult to serve some segments of the market. The final balance of costs and benefits associated

with a broader product array in the literature seems to favour the more universal financial franchise.

The possible benefits of scale and/or scope economies, the revenue enhancements, and the added stability all favour the observed movement toward universal banks. However, as we have seen, the results are neither unequivocal nor asserted, since they depend on several factors. On the other hand, there will always be some room for specialized banks exploring some specific niche of the financial market, such as the design and sale of derivatives, international issues of securities and some sort of investment funds, (Jim Stanton, 1994) This suggests that the institutional feature of the world financial system, resulting from recent changes in the banking industry, will be a mix of specialized banks and universal banks, probably making up a bimodal banking system.

2.2 Expansion Strategies Models

Ansoff and Mc Donnel (1957) created a simple model to look at expansion strategies regardless of which industry the company operates in. According to Ansoff's product/market growth matrix, attempts by a business to grow depend on whether it markets new or existing products in new or existing markets. The output from the Ansoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy.

Figure 1: Ansoffs Product - Market Matrix

	Existing Products	New Products
Existing markets	Market Penetration	Product Development
New markets	Market Development	Expansion/Diversification

Source: Kevan Scholes et.al, Exploring Corporate Strategy, (2002)

2.2.1 Market Penetration

This is a growth strategy where the business focuses on selling existing products into existing markets. A market penetration strategy is used when a business is focusing on markets and products it knows well. With good marketing information system it is possible to have good information on competitors and on customer needs. It is therefore unlikely, that this strategy will require much investment in new market research. It may be done by encouraging customers to buy more than before, or by winning customers from competitors.

2.2.2 Market Development

In this growth strategy the business seeks to sell its existing products into new markets. Many possible ways of approaching this strategy, include new geographical markets; for instance exporting the product to a new country; new product dimensions or packaging: for example; new distribution channels and different pricing policies to attract different customers or create new market segments. This may be done by encouraging existing customers to buy more than before or by winning customers from competitors. It may be done by reaching customers who have not tried the products before.

2.2.3 Product Development

Refers to a growth strategy where a business aims to introduce new products into existing markets. This strategy requires the development of new competencies and development of modified products, which can appeal to existing markets. This strategy is more involving and more risky (Ansoff, 1989). In adopting this strategy, the firm must decide whether they want to lead or follow, and in which market segments. It must also decide whether to select the entire market as its relevant market and challenge all the competitors, or start with only certain segments or narrow market niches before expanding to the entire market.

2.2.4 Expansion/Diversification

Refers to a growth strategy where a firm markets new products in new markets. It is a risky strategy because the firm is moving into markets in which it has little or no experience. To successfully implement a diversification strategy, a business must undertake a proper analysis of the market and project the cash flows that may be obtained in order to make an informed decision. (Scholes, 2002)

Market expansion strategy developed by Ansoff is same as the extension strategy in the Product Life Cycle since it is an existing product in a new market. It can also be linked with Boston consulting Group's question mark or star as the product being re-launched must be a product that is successful and either in the introduction or growth stage in the product life cycle. During the growth stage in the Product Life Cycle, a company expands market share by trying to get new people to try the product and existing customers to buy more. The company should therefore use market expansion. At the decline stage, the company should try to re-launch the product, which would be using product or market expansion.

Market penetration could be used if a successful product was being re-launched to increase the company's market share. The model analyzes the strategic direction of a product, and if a product was placed in the market expansion, which has medium risk strategy, and competitors also released a similar product in this section, there will be a higher risk strategy, which will affect the product's performance and position in both the Boston Consulting Group matrix and the product life cycle.

2.2.5 Firm Performance and Expansion Strategies

Expansion is among the most challenging decisions for a company; it reduces the risk of operating in volatile market. Previous experiences and knowledge of the firm can be a guide for future operations. Before making a strategic decision a manager must do a cost benefit analysis and determine whether it is in line with the company's objectives and mission. The manager must also consider the knowledge acquired by the company in future expansion and allow them to learn competencies that can be reapplied in their existing business. A forward thinking manager is more worried about wining a war than winning a battle (Thompson and Strickland, 1993).

A firm's performance is not only indicated by the sales figures, rather, changes in sales may simply reflect changes in the market size or changes in economic conditions. Performance of a firm relative to competitors is measured by the proportion of the market that the firm is able to capture (market share). Sales may be determined on a value basis or on a unit basis and while the firm's sales figures are readily available, total market sales is more difficult to determine. Many firms seek to increase their sales relative to competitors. A firm may seek to increase its market share to exploit the economies of scale. Operating in higher volumes can be instrumental in developing a cost advantage. Sales growth in a stagnant industry is a reason to increase market share. When the industry is not growing, the firm still can grow its sales by increasing its market share.

Firms increase their market share for reputation and market leaders have an influence that they can use to their advantage. A firm may want to increase bargaining power .A larger player has an advantage in negotiations with suppliers and channel members than a smaller player in the industry as Jones (1994) demonstrated that market share of a product can be modeled as; $\text{Share of Market} = \text{Share of Preference} \times \text{Share of Voice} \times \text{Share of Distribution}$.

According to this model, there are three drivers of market share; Share of preference, which can be increased through product, pricing, and promotional changes. Increasing advertising expenditures and lastly share of distribution can increase share of voice; this can be increased through more intensive distribution. According to Jones (1994) market share can be increased by

changing the variables of the marketing mix. They include the product whose attributes can be changed to provide more value to the customer, for example, by improving product quality. Price as a decrease in price will increase sales revenue. This tactic may not succeed if competitors are willing and able to meet any price cuts. Distribution can be done through adding new distribution channels or increasing the intensity of distribution in each channel. Promotion can be changed as increasing advertising expenditures can increase market share, unless competitors respond with similar increases.

The modes of expansions include; franchising, licensing, acquisition and mergers. We have different instruments used in expansions; common stock, preferred stock; bond; call- option. The risk and return for each instrument is different. The instruments are always mixed so that a maximum return is obtained with minimum risk. In investment analysis weighted average cost of capital (WACC) analysis gives a maximum return. This analysis can be extended for expansion also as risk and returns from different modes of expansion are not similar. Such analysis will provide an optimal expansion mode.

In the research paper "International expansion strategy of Japanese firms; Capability building through sequential entry" the author has shown that firms with more LOB (Line of business), HBG (Horizontal business group), VBG (Vertical business group) have greater advantage. On an abstract level, one can think of expansion as investment, which inherently has some risk and is supposed to bring a return. Of course, it is much more complex than investment decisions. Expansion decisions do not depend only on the financial status of the firm it is a strategic decision, which is related to firm's objectives and mission. It is very difficult to determine the present value or future value of a firm. The value of a firm is determined by the product and not by the time. Expansion is less liquid than investment. Selling or Buying of a set-up takes more time than an investment buy or sell event.

Expansion decisions are more complex than investment decisions because they involve many domains. An expansion has substantial intangible implications also which is not true for investment. It is that an investor's sole purpose is to maximize his wealth, but firms might be having objectives other than just making profit like employment generation, brand imaging,

entering new market segments, strategic move, forward integration, backward integration etc. The units of a firm are more interrelated than the assets of an investor.

2. 3 Reasons for Expansion.

According to Calori and Harvatopoulos (1988), there are two dimensions of rationale for expansion. The first one relates to strategic objective of the organization. The expansion may be defensive or offensive. Defensive reasons may be spreading the risk of market contraction, or being forced to expand when current product or current market orientation seems to provide no further opportunities for growth. Offensive reasons may be conquering new positions, taking opportunities that promise greater profitability than expansion opportunities, or using retained cash that exceeds total expansion needs.

The second dimension involves the expected outcomes of expansion. Management may expect great economic value (growth, profitability) or first and foremost great coherence and complementarities with their current activities (exploitation of know-how, more efficient use of available resources and capacities). In addition, companies may also explore diversification just to get a valuable comparison between this strategy and expansion. The existence of a supportive legal system and political stability give high hopes to owners of a firm that operates in any given country. Since the success of any given firm depends on the social services and infrastructure that supports their activities, many firms will intend to expand when these are available.

Firms also constantly review the market to obtain market intelligence. The intelligence gives the opportunities that are available for exploitation by various industry participants, when such opportunities present themselves; firms come up and take them to increase their profitability. In the advent of globalizations and the extent to which the world is becoming a global village, firms also prospect to take opportunities in other countries and increase their financial status. In other countries there may exist high market share yet unexploited firms therefore go global to take up such opportunities.

Expansion strategies are used to expand firms' operations by adding markets, products, services, or stages of production to the existing business. The purpose of expansion is to allow the company to enter lines of business that are different from current operations. When the new

venture is strategically related to the existing lines of business, it is called concentric diversification. Conglomerate expansion occurs when there is no common thread of strategic fit or relationship between the new and old lines of business; the new and old businesses are unrelated.

Any company's strategic emphasis is increasing sales volumes, boosting market share and cultivating a loyal clientele. Profits are then re invested to grow the business. Price, quality and promotion are tailored to meet customer needs. It's then that opportunities for geographical market expansion are pursued next. The natural sequence for geographical expansion is local to regional to national to international. The degree of penetration will however differ from area to area depending on the profit potentials (Thompson and Strickland 111, 1993).

There are three types of expansion, Concentric, Horizontal and Conglomerate. In the concentric expansion, the organization adds new products or services which have technological or commercial synergies with current products and which will appeal to new customer groups. The objective is therefore to benefit from synergy effects due to the complementarities of activities, and thus to expand the firm's market by attracting new groups of buyers. In the horizontal expansion the organization adds new products or services that are technologically or commercially unrelated to current products, but which may appeal to current customers. In a competitive environment, this form of expansion is desirable if the present customers are loyal to the current products and if the new products are of good quality and are well promoted and priced. Moreover, the new products are marketed to the same economic environment as the existing products, which may lead to rigidity and instability. In other words, this strategy tends to increase the firm's dependence on certain market segments (Porter, 1986).

In the conglomerate expansion, the organization markets new products or services that have no technological or commercial synergies with current products, but which may appeal to new groups of customers. The conglomerate expansion has little relationship with the firm's current business. Therefore, the main reasons of adopting such a strategy are first to improve the profitability and the flexibility of the company, and second to get a better reception in capital markets as the company gets bigger. Even if this strategy is very risky, it could also, if successful, provide increased growth and profitability (Porter, 1986).

The strategies of expansion can include internal development of new products or markets, acquisition of a firm, alliance with a complementary company, licensing of new technologies, and distributing or importing a products line manufactured by another firm. Generally, the final strategy involves a combination of these options. This combination is determined in function of available opportunities and consistency with the objectives and the resources of the company (Porter, 1986). Expansion into new markets and production areas can be profitable step for business owners, consultants caution them to "look before they leap. According to Steven (1998) when presented with opportunities to diversify, "we view them against our focus criteria: Is the idea consistent with our mission statement? Will it dilute our current efforts? How will it affect our operations?" Therefore many reasons are given as to why a company adopts an expansion strategy. The reasons are as follows:

2.3.1 Financial Health

Business owners should undertake a comprehensive and critical review of their present financial standing and future prospects in the expected cash inflows before expanding a business into a new area. The cost of entry must also be considered, it is closely linked to a business's examination of its fundamental financial health, and the firm must have adequate resources to undertake a given strategy. Expansion, whether through diversification or acquisition, typically requires financial outlays of significant size. The focus should be to determine whether the firm has the means to meet those requirements while simultaneously keeping the existing business running smoothly (Steven ,1998).

2.3.2 Industry and/or Market Attractiveness.

Expansion into an industry or market that is drugging, whether because of economic conditions or local problems, may result in a significant loss of income and security. According to Mintzberg (1994) some businesses attach little significance to this factor; they rely instead on beliefs that the industry or market is a good fit with its existing operations. Other firms also ignore the attractiveness test as a low entry cost. Sometimes the buyer has an inside track or the owner is anxious to sell. Even with a low price a one-shot gain will not offset a perpetually poor

business. Some businesses mistakenly interpret recent market or industry trends as indications of long term health.

2.3.3 Availability of Workforce Resources

In analyzing an expansion, firms need to consider the impacts on the current work force. Issues include whether the current workforce will be required to take on added duties with little or no change in their compensation. Other implications could be workers relocation of their families or their place of work as a consequence of the expansion. Serious consideration should also monitor whether the current work force possess the skills and knowledge to handle the requirements of the new business, or confirm a need to initiate a concerted effort to attract new employees. Before diversifying business owners need to know the answers to such questions concerns above (Porter, 1986).

2.3.4 Access to Distribution Channels

A company introducing a new product into the market should first ensure they have adequate distribution channels within the target market. When the wholesale or retail channels for a product are limited and existing competitors have these tied up, entry into the industry will be tough Porter (1980) .Competitors may have ties with channels based on long relationships, high-quality service, or even exclusive relationships in which the channel is solely identified with a particular manufacturer. Sometimes this barrier to entry is so high that a new firm must create an entirely new distribution channel.

2.3.5 Government Regulatory Policies

Government regulation can also have an impact on the diversification decision. Porter (1980), states that government can limit or even foreclose entry into industries with such controls as licensing requirements and limits on access to raw materials, he also adds that regulatory controls on air and water pollution standards and product safety and efficacy should also be weighed. Pollution control requirements can for example, increase the capital needed for entry, the required technological sophistication and even the optimal scale of facilities.

Standards for product testing, common in food and other health-related products can impose longer lead times. These situations raise the capital cost of entry and give established firms notice of an impending entry and knowledge of the new competitor's product for use in formulating retaliatory strategies.

2.4 Challenges of Expansion

2.4.1 Legal Restructuring

Costs for transformation are high and a large amount of resources are required to change an organization's legal structure. Within the holding company model, there is a risk of "broken brand promise" if brand expectations are not reached across subsidiaries (Deng, 1995). There are several legal procedures that banks have to satisfy before they can expand. The government can also impose legal laws that make it almost impossible for the expansion to take place.

2.4.2 Franchising

Strict standardization of business processes makes it harder for an organization to innovate and respond to local market needs. A successful business does not automatically translate into a successful franchise. While franchising frequently occurs in the private sector (McDonalds, Coca-Cola), there is little franchising in microfinance. Franchising as it occurs in the private sector, with the same brand, strict checks on quality control and standardization, does not currently occur in banking industry.

Even in the financial services industry within the private sector, franchising is less common because it seems to work better with a standardized product than it does with a service. Additionally, franchising is rare in this industry because of the high skill and capital needed. For instance, there is an inherent risk for someone with little financial experience to open up a bank franchise branch, no matter how straightforward or standardized the franchise package is (Dibb, 1996). A form of franchising does exist in microfinance, through replication of business processes and a credit franchise package. Examples of replication include the establishment of Bandhan, which was based on the ASA model. The Grameen methodology has also been replicated by numerous MFIs. These forms of franchising tend to be more of a mentor-mentee

relationship, in which advice is offered but not imposed. Brand equity is not emphasized, as replicated organizations have different names and are different legal entities (Dupuis, M., Prime, N. 1996).

2.4.3 Strategic Alliances

Agreeing to a mutually beneficial and fair deal structure is often a challenge. The lack of trust between organizations may explain the low overall success rate of alliances, around 50%. The challenge of understanding each partner's role, which is especially critical in decision-making. Lower risk implies lower potential reward relative to other expansion strategies such as acquisitions. Maintaining distinct market segments is necessary to avoid overlapping of clients.

2.4.4 Learning and Innovation

Everything comes at a cost. Constant learning and innovation, especially the latter is so essential in any business' survival, let alone a long standing competitive edge. Such innovation can not be copied, it must come from within the organisation, within its management and business culture, this is not something you can learn from others as a me-too strategy” (Focus Group Discussion, 2005).Accompanying the market leaders' aggressive expansion is probably the fall of some of the less competitive local players, despite their sizes. For both domestic players who play against international giants in the inward expansion and the domestic retailers who are operating in the inland market, this poses great challenges as well as opportunities, (Faithfull, 2005). Market leaders bring with them advanced business operation mechanisms and management systems. This provides great learning opportunities for local players.

On the other hand, local players obtain the advantage of brand recognition, market familiarity, consumer loyalty, channel relationships and government supports. They need to be innovative to turn these assets into business opportunities. Some of the respondents expressed how fast the companies they worked in have evolved within the last few years, and they have also witnessed tragic business failures of competitors who failed to tune into the fast evolving competitive situation (Gavin, 1994).

2.4.5 Infrastructure Development and Technology Application

Expansion and development should be put into a wider context of economic development. Critical issues of supply chain and distribution system have inhibited some retailers' expansion into inland areas. Knowledge transfer and application of technologically advanced operation systems, IT and logistics would greatly leverage economies of scale (Goldman, A. 2000). Most of the respondents raised the point that logistics management is a critical success factor in retail management and that the rising practice of collaborative category management and R&D.

It takes a lot more than a strategic decision from the MD to promote this collaboration between retailers and suppliers, the need of a long term partnership, the input from both sides in terms of time, commitment, money and most importantly trust is yet to develop as a norm following the experiences of a handful of international brands.

2.4.6 Government Policy and Regulation

There has always been the frustration of incomplete policy framework in retail development and sometimes corruption and bureaucracy in government offices and agencies. To some extent each administration organ adopts different policies and regulations. Companies need to formulate their strategy based on the knowledge of local political, economic and social contexts. With the economic reform, government's function in economic development and interference in the market are being revised to liberalize business development. However, government policies and regulations are still far from complete, which could cause confusions for retailers (Benito, 2003) Concerns about local protection are also expressed by the respondents. Besides, they also expressed the likely situation that local governments would favor international retailers more than the locals.

2.4.7 Business Culture

The open policy and market oriented mechanism have also dramatically changed the mentality of business people. People are not much more open to new ideas and applications, more innovative and entrepreneurial in their business practice. The spread of joint ventures and foreign companies have also lent important lessons to businesses and government offices in their way of

management (Buston, 2005). Exchange and collaboration rather than closeness and competition are being adopted in business practice within the industry as well as up and down the supply chain and other supporting industries. This, in turn, pushes the social and perceptible changes of doing business in all companies. Significant changes have occurred in government and business relations. Other than regulating, government offices also strive to encourage and enable business development in the localities.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The Research was carried out through a census survey on all Commercial Banks in Kenya. This research collected data from a broad number of members of a population, which facilitated comparisons between the various expansion strategies used by commercial banks. This design was chosen because it describes the relationships that exist between the variables without bias (Kothari, 2003).

3.2 Target Population

The population targeted comprised of all the banks licensed to operate by the Banking Act as at April 30, 2009. According to the Central Bank, Economic review of May 2009 the banking sector comprises of 43 commercial banks (see appendix 2)

3.3 Sample Design

A census survey on all the 43 Commercial Banks in Kenya was done. The population of interest was subdivided into senior managers in each organization namely the Chief Executives, Heads of Strategy and Planning, Finance Directors, Marketing Directors and other employees.

3.4 Data Collection

The data was collected using a structured questionnaire. (See Appendix attached) The respondents were persons who made strategic decisions within the organization. Four senior managers in each organization namely the Chief Executives, Heads of Strategy and Planning, Finance Directors and Marketing Directors were asked to fill the form. Some of which were hand delivered and picked later and others E-mailed to the respondents. Follow up was done via personal visits, telephone calls and e-mail to facilitate responses and also to enhance the response rate. Secondary data was collected from various documents including Banking Surveys and Economic Reviews from Central Bank Supervision annual reports.

3.5 Data Analysis

Data was analyzed using descriptive statistics, which included the mean score, standard deviation and frequency distribution. This enabled the researcher to meaningfully describe the distribution of measurement. This information helped determine the most common expansion strategies used by Commercial Banks in Kenya.

Where data was in quantitative form, the mean score was used. The mean score was also used to determine the most common factors that influenced the expansion strategies used by the Commercial Banks.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the data analysis and interpretations of the findings from the field. From a study population of 35 respondents, 30 respondents filled and returned the questionnaires comprising of 85.7% response rate.

4.1 Company Demographics

Table 1: Number of Employees in the Bank

Employees	Frequency	Percent
Less than 50	5	16.7
50-100	12	40.0
Over 100	13	43.3
Total	30	100.0

The study sought to establish the number of employees in the banks. From the study, most of the banks had over 100 employees as shown by 43.3%, followed by 40% of the banks that had 50-100 employees. 16.7% of the banks had less than 50 employees.

Banking Services Offered To Customers

The study found that the banking services offered by banks to customers were such as retail banking services i.e. deposits, withdrawals, giving loan to customers, foreign exchange services.

4.2 Expansion Strategy

The researcher also found that all the banks had undertaken a major expansion since they were started. The expansions focused on branch transformation, profitability, improvement of quality of services, increased market share, reaching all the customers, improving economy of scale and scope, customer relationship management and integrated risk management.

Table 2: Expansion Strategy Model Used

Models	Frequency	Percent
Market penetration	14	46.7
Product development	4	13.3
Market development	2	6.7
Expansion/diversification	10	33.3
Total	30	100.0

The study also required the respondents to indicate the expansion strategy model used by the banks. According to the findings, most of the respondents (46.7%) reported that the expansion strategy model used by their banks was market penetration, 33.3% of the respondents said expansion/diversification, 13.3% of the banks said product development, while 6.7% of the respondents said that the expansion strategy model used by their banks was market development.

Table 3: Extent That Expansion Strategy Has Been Successful

Extent	Frequency	Percent
Moderate extent	2	6.7
Great extent	24	80.0
Very great extent	4	13.3
Total	30	100.0

According to the findings in Table 3, the study found that the expansion strategies used had been successful to a great extent as indicated by 80% of the respondents, 13.3% said that they had been successful to a very great extent, while a small proportion of respondents as shown by 6.7% reported that the expansion strategy used had been successful to a moderate extent.

Table 4: Strategies Used by the Banks in Expansion

Strategies	mean	Standard deviation
physical branch distribution network	4.2	.50553
infrastructure software	4.1	.81340
electronic distribution systems	3.4	1.14018
mergers and acquisitions	1.9	1.27009

The study also sought to establish the extent that the strategies in Table 4 had been used in the banks. According to the findings, the strategies that were used to a great extent were physical branch distribution network as shown by a mean score of 4.2 and infrastructure software as shown by a score of 4.1. Electronic distribution systems was used to a moderate extent as shown by a mean score of 3.4, while mergers and acquisitions were used to a little extent as shown by a mean score of 1.9.

4.4 Factors Influencing Expansion Strategy

Table 5: Factors Influencing the Choice of Expansion Strategies Adopted By Banks

Choices	Mean	Standard deviation
financial health	4.0	.98832
industry and/or market attractiveness	4.4	.68755
availability of workforce resources	4.5	.52603
access to distribution channels	4.2	.80591
government regulatory policies	3.8	1.08619

From the study, the factors that greatly influenced the choice of expansion strategy in a descending order were availability of workforce resources as shown by a mean score of 4.5, industry and/or market attractiveness as shown by a mean score of 4.4, access to distribution channels shown by a mean score of 4.2, financial health shown by a mean score of 4.0 and government regulatory policies as shown by a mean score of 3.8.

Distribution Channels Used By Banks to Reach All the Customers

The study also required the respondents to indicate the distribution channels used by the banks to reach all the customers. From the study, the respondents reported that the distribution channels used were; contracting distributors, locating the banks where they were accessible by most customers, mobile bank branches, bank agents, Internet banking, automated teller machines (ATMs), POS devices, EFTPOS devices and mobile phones.

Major Market Attractive Features That Influence the Adoption and Implementation of the Expansion Strategy

The study also sought to establish the major market attractive features that influence the adoption and implementation of the expansion strategy in commercial banks. From the study these market attractive features include little market knowledge by competitors, high management risk consciousness, goal of growth through market development, internal barriers by competing banks, many similar markets, new or declining markets and also low customer loyalty.

Obtaining Resources to Fund the Expansion

The study also sought to establish how the banks obtained resources to fund expansion. From the study, the respondents reported that the banks obtained resources from customer deposits, interest from loans advanced from customers, public listing, borrowing mainly from central banks and also by collaborating with banks or government agencies.

Steps Taken to Obtain Appropriate Workforce

According to the study, the steps that were taken to obtain the appropriate workforce for expansion was taking contracts with the developers, developing and training the existing employees with the skills to undertake the assignment, negotiations on pay and conditions of employment, shaping of the workforce to meet the needs, recruiting more employees and other non personal services like outsourcing.

Table 6: Challenges Affecting the Choice of the Expansion Strategy

Challenges	Mean	Standard deviation
Government policy and regulations	4.2	.77720
Business culture	3.8	1.0145
Technology	3.6	1.1342
Legal policies	4.0	.86340
Franchising	2.8	1.27604
Learning and innovations	3.6	1.0234

The study also sought to establish the challenges that affect the choice of the expansion strategies. From the study most of the respondents reported that the challenges to the choice of the expansion strategies were government policy and regulations shown by a mean score of 4.2, legal policies shown by a mean score of 4.0, business culture as shown by a mean score of 3.8 and technology and learning and innovations as shown by a mean score of 3.6. Franchising was a challenge affecting the choice of the expansion strategies to a moderate extent as shown by a mean score of 2.8.

CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the discussion of the findings gives conclusions and provides the recommendation of the study and suggestions for further research. The study was based on the objectives of the study which were to determine the expansion strategies adopted by commercial banks in Kenya and also to establish factors influencing expansion of commercial banks in Kenya.

5.2 Discussions

From the findings, the study found that all the banks had undertaken a major expansion since they were started which focused on branch transformation, profitability, improvement of quality of services, increased market share, reaching all the customers, improving economy of scale and scope, customer relationship management and integrated risk management. The expansion strategy model used by most banks was market penetration which was successful to a great extent.

From the study, the strategies used by the banks in expansion were physical branch distribution network, infrastructure software and electronic distribution systems. The factors that influenced the expansion strategy in commercial banks were found to be availability of workforce resources, industry and/or market attractiveness, access to distribution channels, financial health and government regulatory policies.

The study also established that the distribution channels used by the banks to reach all the customers were such as contracting distributors, locating the banks where they were accessible by most customers, mobile bank branches, bank agents, Internet banking, automated teller machines (ATMs), POS devices, EFTPOS devices and mobile phones.

According to the study, the major market attractive features that influence the adoption and implementation of the expansion strategy in commercial banks were little market knowledge by competitors, high management risk consciousness, goal of growth through market development, internal barriers by competing banks, many similar markets, new or declining markets and also

low customer loyalty. The study also established that in order to fund expansion, the banks obtained the resources from customer deposits, interest from loans advanced from customers, public listing, borrowing mainly from central banks and also by collaborating with banks or government agencies. In order to obtain the appropriate workforce for expansion, the steps taken by the banks were taking contracts with the developers, developing and training the existing employees with the skills to undertake the assignment, negotiations on pay and conditions of employment, shaping of the workforce to meet the needs, recruiting more employees and other non personal services like outsourcing.

The study also found that there were some challenges that affected the choice of expansion strategy. These challenges were such as government policy and regulations, legal policies, business culture, technology, learning and innovations and franchising.

5.3 Conclusions

From the study, the researcher concludes that all the commercial banks in Kenya had undertaken a major expansion since they were started. The expansion strategies adopted by these banks were physical branch distribution network, infrastructure software and electronic distribution systems. The distribution channels used to reach all the consumers in expansion were contracting distributors, locating the banks where they were accessible by most customers, mobile bank branches, bank agents, Internet banking, automated teller machines (ATMs), POS devices, EFTPOS devices and mobile phones.

The study also concludes that there were factors influencing expansion of commercial banks in Kenya. These factors included availability of workforce resources, industry and/or market attractiveness, access to distribution channels, financial health and government regulatory policies and the challenges that affected the choice of expansion strategy were government policy and regulations, legal policies, business culture, technology and learning and innovations and franchising.

5.4 Recommendations

The study therefore recommends that for commercial banks to successfully undertake their expansion strategies they should ensure that they use the best strategies for expansion, be financially stable to implement the expansion, ensure that there is an attractive market before expanding and have appropriate and adequate workforce to implement the expansion. Otherwise, they should know how best to obtain them for example through outsourcing experts from the labour market and developing and training their employees with the skills to undertake the assignment.

The banks should also ensure that they have adequate distribution channels to reach all the consumers. They should also consider the government policy that can affect the choice and implementation of the expansion strategy.

5.5 Suggestions for Further Research

The study, therefore, suggests that further research should be undertaken to investigate the relationship between the expansion strategies and performance in the banking sector in Kenya. Further, research should be undertaken in other types of organizations to establish the expansion strategies adopted.

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APPENDICES

Appendix I: Respondents Letter

Lucy Mworira

P O Box 534-00517

NAIROBI

Lucyarami2@yahoo.com

Date: 21st sep 2009

Dear Respondent,

RE: MBA RESEARCH PROJECT

I am a postgraduate student at the University of Nairobi in the Faculty of Commerce undertaking a Master Degree in Business Administration (MBA – Strategic Management). As a partial requirement to complete my degree programme, I am undertaking a Management Research on **“A survey of expansion strategies adopted by commercial banks in Kenya”**.

Your organization is one of the banks selected and therefore forms part of the population of study. I kindly request for your valuable time in assisting me to complete the attached questionnaire.

The information in this questionnaire will be treated with utmost confidentiality and will not be used for any other purpose apart from its intended academic use. A copy of the research report will be availed to you .

Thank you.

Yours Faithfully

Lucy Mworira

Appendix II: Questionnaire

Instructions:

- (a) Give brief answers in the spaces provided.
- (b) In the boxes given please tick appropriately.

SECTION ONE: COMPANY DEMOGRAPHICS

1. Name of the bank

.....

2. When was the bank established?

.....

3. What is the total number of employees in your bank?

- | | | | |
|--------------|-----|------------|-----|
| Less than 50 | () | 200-500 | () |
| 50-100 | () | 500-1000 | () |
| 1001-200 | () | Above 1000 | () |

4. What banking services do you offer to the consumers? List below:

a).....

b).....

c).....

SECTION TWO: EXPANSION STRATEGY

1. Has your bank undertaken any major expansion since it was started?

Yes ()

No ()

2. If yes: What areas were these expansions focused?

a).....

b).....

c).....

3. Which expansion strategies model was used?

Market penetration ()

Product development ()

Market development ()

Expansion/diversification ()

4. To what extent have the expansion strategies been successful?

Little extent ()

Moderate extent ()

Great extent ()

Very great extent ()

5. To what extent have you used the following strategies in your bank?

Strategies	Not at all 1	Little extent 2	Moderate extent 3	Great extent 4	Very great extent 5
Physical branch distribution network,					
Infrastructure software					
Electronic distribution systems.					
Mergers & Acquisitions					

Others specify (rate accordingly)

.....

.....

.....

SECTION THREE: FACTORS INFLUENCING EXPANSION STRATEGY

1. To what extent do the following factors influence the choice of expansion strategies adopted by your bank?

Factors	Not at all 1	Little extent 2	Moderate extent 3	Great extent 4	Very great extent 5
Financial health					
Industry and/or market attractiveness					
Availability of Workforce Resources					
Government regulatory policies					
Access to distribution channels.					

Others specify (rate accordingly)

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2) Which distribution channels did you use to reach all the consumers

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3) What were the major market attractive features that influenced the adoption and implementation of the expansion strategy used? Explain

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4) How did the bank obtain the resources to fund the expansion? Explain

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5) What steps were taken to obtain the appropriate work force?

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6). To what extent have the following challenges affected the choice of the expansion strategies?

Challenge	Not at all 1	Little extent 2	Moderate extent 3	Great extent 4	Very great extent 5
Government policy & regulations					
Business culture					
Technology					
Legal policies					
franchising					
Learning & innovations					
Others specify					

Others specify (rate accordingly)

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Appendix III: Commercial Banks in Kenya

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank
6. CFC-Stanbic Bank
7. Charterhouse Bank
8. Chase Bank
9. Citibank
10. City Finance Bank
11. Co-operative Bank of Kenya
12. Commercial Bank of Africa
13. Consolidated Bank of Kenya
14. Credit Bank
15. Development Bank of Kenya
16. Diamond Trust Bank
17. Dubai Bank
18. Ecobank
19. Equatorial Commercial Bank
20. Equity Bank
21. Family Bank
22. Fidelity Commercial Bank
23. Fina Bank
24. Giro Commercial Bank
25. Guardian Bank
26. Habib Bank A.G Zurich
27. Habib Bank
28. Imperial Bank
29. Investment & Mortgages Bank
30. K-Rep Bank
31. Kenya Commercial Bank
32. Middle East Bank
33. National Bank of Kenya
34. NIC Bank
35. Oriental Commercial Bank
36. Paramount Universal Bank
37. Prime Bank
38. Prime Capital and Credit Finance Bank
39. Southern Credit Banking Corporation
40. Standard Chartered Bank
41. Transnational Bank
42. United Bank for Africa
43. Victoria Commercial Bank