STRATEGIES ADOPTED BY KENYA COMMERCIAL BANK TO GAIN ENTRY INTO EAST AFRICA REGION FINANCIAL MARKET

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DECLARATION

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

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This research is dedicated to members of my family.

My husband Mr Paul Mutai and Children, Sharon Chepkoech and Shadrack Kibet

for your support and love.
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My pursuit of the MBA degree would not have been possible without the guidance, encouragement, support, assistance of a large number of people. I appreciate the encouragement of my husband and support of my family. They have sacrificed a lot to ensure I acquire, realize and recognize the value and importance of education.

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ABSTRACT

Increasing trade within the East Africa region is beginning to drive ever-increasing demands and opportunities for businesses in this region leading to the expansion or reorganization of Kenya-based banks in the region. They have no choice but to evaluate and choose strategies that will enable them penetrate and gain competitive advantage in the new market. Entry strategies are crucial to the survival of new firms as they ensure that the firms are moving on the correct track right from the start without deviating from their goals. KCB, Kenya's biggest retail bank, is pursuing regional expansion programme, a strategy to meet the ever increasing demand for banking services in Eastern Africa region. The study therefore sought to identify Identifying Strategies used by Kenya commercial bank when entering its new markets, the level of success or failure of these strategies; the causes of success and failure and recommendation of possible solutions.

The methodology employed in this study was case study. Case study was used because it would provide both qualitative and quantitative information on research subject. The tool mainly used was interview and secondary to it was the questionnaire. KCB was the bank selected for the case study as it had already ventured into four other Eastern African countries and was now considered as a major player in the region. The researcher used Microsoft Excel and SPSS software for data analysis and presented charts, tables and narratives on the findings.

The major findings from the data collected were that KCB targeted new geographic areas and new distribution channels. They did not focus on service improvement for niche markets nor was price reduction for penetration cause of failure in Tanzania. The ease of penetration, demand of
banking service and liberalization of the market were most important for KCB. Financial market forecasts and SWOT analysis and sensitivity analysis have greatly made KCB to make right market entry strategies. They targeted profitability; market share and break even period were not defined. KCB lacked market exit strategy and they relied heavily on Greenfield Investment Approach.

From the major findings the study concludes that when a firm wishes to enter a market it should prepare beyond market entry and have policies for measuring key performance indicators before and after entering and that it was important to have policies to guide entry and exit strategies, investment criterion and technology to be used. KCB’s success were mainly due to its research, planning and soft issues it had handled properly while its failures were mainly on policies made which they needed to address.
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CHAPTER ONE: INTRODUCTION

1.1. Background of the study

All firms operate within an environment (Pearce and Robinson, 2005). Most firms in Kenya operate in Kenya and in East African Region. As Kenyan financial market is becoming saturated and with stiff competition, Kenyan banks are diversifying their locations and services in the wider East African region (Kimani 2010).

Increasing trade within the East Africa Community (EAC), brought about by interconnected projects such as a proposed pipeline to Rwanda from Kenya through Uganda or submarine and terrestrial high-speed telecommunications links, the development of a standard gauge railway line between Kampala in Uganda and Mombasa in Kenya, Dar es Salaam to Kigali and Bujumbura are all factors that are beginning to drive ever-increasing demands and opportunities for businesses in the region. The growth of this demand has led to the expansion or reorganization of Kenya-based banks in the East Africa region; they have no choice but to evaluate and choose strategies that will enable them penetrate and gain competitive advantage in the new market. The banks are employing acquisition, mergers, direct investments (green fields) in their regional expansion strategies (Maliti 2008).

1.1.1. Market entry Strategies

These are internally consistent set of goals and policies, which aligns the firm’s strengths and weaknesses with the external (industry) opportunities and threats. In other words, if a firm has an effective strategy in place, internal firm-level variables will be best matched with external environmental variables to achieve superior performance (Green (1995). A market entry strategy is therefore one which is formulated before the actual product launch, in order to guide a firm’s decisions with regards to product, market and firm organization. Entry strategies are crucial to the survival of new firms as they ensure that the firms are moving on the correct track right from the start without deviating from their goals (Parasuraman, 1988).
Firms enter into new market either through Green field investment or Brown field investment (Slangen & Hennart, 2007). Green field investment is an investment in a manufacturing, office, or other physical company-related structure or group of structures in an area where no previous facilities exist. The name comes from the idea of building a facility literally on a "green" field, such as farmland or a forest. Greenfield Investing is usually offered as an alternative to another form of investment, such as mergers and acquisitions, joint ventures, or licensing agreements (Slangen & Hennart, 2007). Greenfield Investing is often mentioned in the context of Foreign Direct Investment (Kogut, 1996).

Brownfield investment refers to investing or venturing into a new market using an already existing business. It can be inform of Joint Ventures, strategic alliances, Mergers, Consolidation, Wholly owned foreign subsidiary (Jonquieres & Fidler, 1990). In Joint ventures two or more parties invest in a project. The international firm has an equity position and management voice in the foreign firm. Thus, the international firm shares both in the ownership and management of the foreign firm. A joint venture agreement results in the formation of a new company in which the parties have shares. The international firm has enough equity to have a voice in management but not enough to completely dominate the venture (Slangen & Hennart, 2007).

Strategic alliances is a term used sometimes interchangeably with "corporate coalitions," "strategic partnerships," and "competitive alliances." Strategic alliances are cooperative arrangements between two or more companies. The partners in an alliance seek to add to their competencies by combining their resources with those of other firms with a commitment to reach an agreed goal. Partners tend to be of comparable strength and resources, but this is not always the case. Strategic alliances tend to be contractual rather than equity arrangements (Lyles & Salk J.E. 1996).

A merger is a combination of two corporations in which only one company survives and the merged corporation goes out of existence. In a statutory merger, the acquiring company assumes the assets and liabilities of the merged company. Consolidation is a business combination where two or more companies join to form an entirely new
company. All the combining companies are dissolved and only the new entity continues to operate. In a consolidation, the original companies cease to exist, and their stockholders become stockholders in the new company (Jonquieres & Fidler, 1990).

Wholly owned foreign subsidiary means; 100% ownership by the international firm. In practice, however, the firm usually achieves the same results or powers even by owning 95% or slightly less. A firm can obtain wholly owned foreign subsidiaries through Acquisition i.e. by buying out an existing foreign producer or joint venture or new investment often referred to as Greenfield’s investment (Kogut, 1996).

According to Porter (1998) a competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation.

The Uppsala model also proposes that foreign sales begin with occasional export orders that are followed by regular exports; Finally, the firm will not commit higher levels of resources to the market until it has acquired increasing levels of experiential knowledge and therefore the internationalization evolves stepwise at a relatively slow pace because of local market regulations and/or organizational learning (Johanson & Vahlne 1990).

1.1.2. East Africa Financial Market
The East African financial market comprises of countries that are members of the East African community; this includes Kenya, Uganda, Tanzania, Rwanda and Burundi. The East African financial market covers an area of 1.8 million square kilometers with a combined population of about 126 million (July 2008 estimate.). (www.africa.business.com).
"The EAC common market will ensure free movement of factors, of people, services and capital across the five partner states. Under the common market, goods will be freely traded....." Prof Njuguna Ndung'u, Governor Central Bank of Kenya address to East African Legislative Assembly in March 2010

Before the revival of the EAC, Kenya’s recorded trade with Tanzania and Uganda in 1990 was too insignificant to measure. It has since grown to almost 30% of Kenya’s total trade. This rapid commercial evolution has seen business needs move from companies wanting standard current accounts with overdraft limits and maybe savings accounts to now regularly needing cross-border financial services (Mwaura, 2010). Entrepreneurs with Businesses across East Africa partner with financial institutions that offer services also across East Africa to cut on costs as they move money within their group of companies without being charged for each transaction. A Kenyan citizen working in Rwanda simply wants the convenience of dealing with the same bank that he or she has banked with since college. All these show how business needs in East Africa are becoming more complex with each day (Maliti 2008).

1.1.4. Kenya Commercial Bank

The history of KCB dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the Bank extended its operations to Nairobi, which had become the Headquarters of the expanding railway line to Uganda.

The next major change in the Bank’s history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Upon independence the Government of Kenya acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank In 1972, Savings & Loan (K) Ltd was acquired to specialize in mortgage finance. In 1997, another subsidiary, Kenya Commercial Bank (Tanzania) Limited was incorporated in Dar-es-Salaam,
Tanzania to provide banking services and promote cross-border trading. Since then, the subsidiary has 10 branches. In pursuit of its Vision: To be the preferred financial solutions provider in Africa with a global reach, in May 2006 KCB extended its operations to Southern Sudan to provide conventional banking services. The subsidiary has six branches. In November, 2007 KCB Bank Uganda Limited was opened and has eleven branches. In December 2008 KCB Rwanda began operations with one branch at Kigali. There are currently 11 branches spread out in the country (www.kcb.co.ke/history).

As they plan to expand local they need to address the following issues; Technology and processes; with the successful implementation of their T24 system they plan to increase their customer base, roll out more technology driven products and also roll this system to their subsidiaries to reap the benefits. They also plan to continue realigning their processes to market realities that is changing customer profiles and needs, new products and services, shared service centers. Staff productivity; they plan to train and up skill their staff to enhance productivity particularly in fast changing operating environment. They plan to reduce staff cost to income ratio to 27% in 2010 from 30% in June 2009. Capitalization; their balance sheet must be backed by commensurate increase in the funding base. The risk weighted assets are expected to increase from Kes 116 billion in 2009 to over 280 billion in 2014. These additional assets must be matched by growth in the capital base if the bank is to square with prudential capital and liquidity guidelines (KCB strategy and planning team, 2007).

1.2. Statement of the problem

As business needs become more complex, it has led to the expansion or reorganization of Kenya-based banks in the East Africa region; they have no choice but to evaluate and choose mode of entry that will enable them penetrate and gain competitive advantage in the new market (Kimani 2010). The banks are employing acquisition, mergers, direct investments (green fields) in their regional expansion strategies (Maliti 2008). Often banks fail in foreign markets because of inappropriate entry and operation strategies. A wrong strategy can lead to a bank's failure in foreign market and at home as well. Research shows that a firm's foreign market entry strategy is directly related to the firm's
An appropriate strategy can be an important source of competitive advantage in a new market. An inappropriate strategy, on the other hand, can be a competitive liability leading to a competitive disadvantage (Pearce and Robinson, 2005).

KCB, Kenya’s biggest retail bank, is pursuing regional expansion programme, a strategy to meet the ever increasing demand for banking services in Eastern Africa (Makau, 2010). The group has continuously injected additional capital into the East African region as part of its expansion strategy. It has also being reviewing its products and services in the light of changing customer needs while putting in place a mechanism to offer similar products across its entire network, subject to statutory provisions. In addition it has adopted a new state-of-the-art information technology system (KCB strategy and planning team, 2007).

Traditional industrial organization literature predicts that bank entry into a new market leads to more competition which should ultimately help borrowers. Indeed, foreign bank presence in emerging countries increases access to loans, especially for large and transparent firms (Mian 2006, Giannetti and Ongena 2005, Clarke, Cull and Martinez Peria 2001).

Differences in information distribution (soft versus hard information) between domestic and foreign banks may however obstruct a likewise impact on lending to small and more opaque firms (Dell’Ariccia and Marquez, 2004). These firms are often captured by their domestic bank and barred from foreign lending. To date, the impact of the mode of foreign bank entry; foreign acquisition versus foreign de novo or Greenfield investment - on the initial distribution of information and the consequent degree of competition and lending conditions remains largely ignored (Bucklay and Casson, 1976).

Porter (1998) in his theory of competitive advantage proposed that for any investment to succeed there are forces that a company must study and know in order to formulate strategies that will give them competitive advantage. The Uppsala model proposes that the firm will not commit higher levels of resources to the market until it has acquired increasing levels of experiential knowledge and therefore the internationalization evolves
stepwise at a relatively slow pace because of local market regulations and/or organizational learning (Johanson & Vahlne 1990).

Multinational enterprises (MNEs) that enter foreign markets to exploit their firm's specific advantages (FSAs) must bundle those advantages with local complementary assets. Hence one would expect the entry mode used, and what happens afterwards, to be simultaneously determined by the MNE and the owners of these local complementary assets (Hennart 2009). None of these arguments have shown how the mode of entry into a new market will give MNEs competitive edge over local firms. The study therefore seeks to identify strategies used by Kenya commercial Bank to gain entry into East Africa region financial market.

1.3. Objective of the study

a) Identifying Strategies used by Kenya commercial bank when entering its new markets.
b) Establishing the level of success or failure of these strategies.
c) Establishing the causes of success and failure
d) Recommendation of possible solutions.

1.4. Importance of the study

To international firms the study will assist them to know the various strategies of venturing into the East African market and their importance on firms performance.

To the public the results of this study makes them understand clearly as stakeholders of those institution what benefits and challenges of strategies used in East African market. To academicians, findings of this studies will help them to know the gap, or questions that this study will not has answered then further this research topic.

To policy makers, these findings will guide them in enacting laws that regard East African Market.
CHAPTER TWO: LITERATURE REVIEW

2.1. Market Entry Strategy
According to Green (1995), there is no consensus in literature about which managerial decisions constitute an entry strategy. Strategy is defined as an internally consistent set of goals and policies, which aligns the firm's strengths and weaknesses with the external (industry) opportunities and threats (Fred 1995). In other words, if a firm has an effective strategy in place, internal firm-level variables will be best matched with external environmental variables to achieve superior performance. A market entry strategy is therefore one which is formulated before the actual product launch, in order to guide a firm's decisions with regards to product, market and firm organization. Entry strategies are crucial to the survival of new firms as they ensure that the firms are moving on the correct track right from the start without deviating from their goals. Numerous studies have shown that an effective launch strategy increases the chances of firm survival and improves performance. Sandberg and Hofer (1987) also found that the interactive effects of industry structure, strategy and the entrepreneur have a far greater impact on performance than any of the variables in isolation.

The entry strategy is especially important, as the strategy chosen will restrict the number of strategic and tactical alternatives open to the firm in future. Both strategic and tactical decisions make up a firm's market entry strategy. Strategic decisions address the what, where, when and why to launch question, whereas tactical decisions aims at answering the question of how to launch. Tactical decisions are made relatively late in the project and can be easily modified. These include all the marketing mix decisions for the new product, like pricing, distribution promotion, and branding and product assortment. These tactics are implemented after the new product has been developed. The marketing mix decisions are dependent on what the short term goals of the firm are. These goals include profits, market share, growth and sales (Kotler 2004).

2.1.1. Six Dimensions of Strategies
Strategic decisions, on the other hand, are made long before the actual launch of the
product into the market. They are akin to Porter’s “competitive scope” and are concerned with the following six dimensions; Degree of product newness, Driver of new product development (technology versus market), Number of competitors, Product innovativeness, Targeting strategy (niche versus mass) and Innovation strategy (lead versus follow). The interplay of these decisions defines the boundaries of competition and shapes the competitive advantage of the firm (Ansoff 1987).

Porter’s Five Forces theory and the resource-based view (RBV) are applied as they are two of the most established theories used to analyze the external environment (characterized by industry structure) a firm faces and its internal environment (characterized by available resources and competencies) respectively. Technology also has an important role to play in strategizing in a high-tech industry like the wireless industry. Its importance will be explored as part of the RBV. An approach combining the two generic theories will then be used to explain the tactical and strategic decisions of startups (Pearce and Robinson, 2005).

2.1.1.1. Porter’s Five Forces
Porter (1979) eloquently summed up the “essence of formulating a competitive strategy” as “relating a company to its environment.” When a firm wants to decide what strategies to adopt in entering a market, it has to first analyze the industry. The Five Forces framework by Porter has become an indispensable tool for such an analysis. In this framework, an industry is defined as a “group of firms producing products that are close substitutes for each other.” Porter’s Five Forces are; Threat of new entrants; Intensity of rivalry among existing competitors; Threat of substitute products; Bargaining power of buyers; Bargaining power of suppliers. (Pearce and Robinson 2005).

The five forces are the determinants of ultimate profitability in a particular industry. All firms in the same industry face the same forces, but their abilities to deal with them differ. Identifying competitive strategies involves capitalizing on these abilities to best position one self amidst these five forces (Ansoff 1987).
2.1.2. Expansion strategies of banks

Santomero and Eckles (2000) stresses 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.

Berger et al. (2000) states 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. 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).
2.1.3. First mover disadvantages

First movers face disadvantages in the form of pioneering costs and risks that conditions may change. Pioneering costs include Research and development (R&D), marketing expenses for an unknown product, development of new infrastructure and gaining regulatory approval. The risks involved in entering a new market include demand uncertainty and obsolescence of technology. The demand of a new product cannot be conclusively predicted as there is no prior market research (Remenyi et al, 1998).

Most startups cannot carry out extensive market research before developing the product due to resource constraints. Besides, it is almost impossible to predict the uptake of the products (Shapiro and Varian, 1990). The startups chosen must also have distinguished themselves by having secured venture capital funding or having substantial positive press coverage (Remenyi et al, 1998).

Being first to the market provides a significant and sustained market-share advantage over later entrants. Still, later entrants can succeed by adopting distinctive positioning and marketing strategies. Pioneers in most industries, once they have reached the status of incumbent, are powerful. Sometimes, however, they get complacent or are not in a position to cater to the growing or shifting demands of the marketplace. New entrants can take advantage of gaps in the offerings of these aging pioneers, or find innovative ways to market their product or service. Pioneers with a distinctive presence in the marketplace need to be in a position to react, or even better, anticipate potential entrants and increase the barriers to their entry (LeBoeuf 2000). For example, a pioneer may be in a position to reduce its price and decrease the value of the business for a new entrant, or it can block entrance entirely by controlling key distribution channels. Whether a late entrant or a pioneer seeking to foil newcomers, it helps to have a thorough understanding of the entry and defensive strategies available, a good sense of timing and a game plan for decision-making (Reichheld, 1996), (Reichheld & Sasser 1990).

2.2. Basic strategic planning

Competitive strategies typically depend on the market environment, the positioning and product portfolio of the existing players (Beckett & Howcroft 2000). The basic strategic planning includes; Reducing price to penetrate an existing market, By introducing a
product at a lower price than the pioneer's, a latecomer can attract new customers who would not have otherwise purchased such a product in effect expanding the total market. Reduced price can also induce the pioneer's current customers to switch. Still, this strategy is likely to result in reduced margins for the new entrant compared with other players in the market, unless the new entrant's cost of production is relatively cheaper. This can be adopted by both the incumbents and pioneers (Kotler 2004).

Companies can improve a product or service, with focus on a niche market. The innovation may be radical or incremental. One example of incremental innovation is an enhanced version of an existing product. The enhanced product can compete directly with existing products, or it can be positioned to attract a smaller segment of the existing market. In addition, the improved product or service can sometimes attract new customers that are not the current target for the existing product or service. For example: potential satellite- based wireless service providers are currently offering a new feature called global coverage. This service could both complement and replace options available to current customers, but most of the potential players in the marketplace are targeting either traveling professionals who need to be in constant touch or the rural market, in which the cost-to-provision telecommunications infrastructure is very high and satellite-based options help governments offer ubiquitous telecommunications services. In both cases the telecommunications market is expanded, generating additional revenue for existing products (Johnson and Scholes 1999).

As markets mature in the home base, companies traditionally look outside to more lucrative markets. They are targeting new geographical markets. Most consumer goods companies, for instance, are setting their sights on China. Many heavy equipment manufacturers are targeting newly emerging markets that will need tractors and cranes for building. Faced with intense competition and maturation in the local markets in the United States, regional Bell operating companies such as BellSouth are expanding into emerging markets such as Brazil (Hill, 2006).
2.3. The African Banking Industry Market Environment Highlights

2.3.1. Ease of Penetration

In most sub-Saharan countries penetration is low partly as a result of income levels, although an increasingly affluent urban middle class is now emerging. The low proportion of people with bank accounts also reflects infrastructure problems that have resulted in the limited development of branch networks, especially within remote rural areas. Few countries are served by more than two branches per 100,000 people (Christmann P. & Taylor G., 2001).

By this reckoning, there are between 40 and 60 million potentially bankable customers in sub-Saharan Africa. Branch expansion to tap into this potential is accelerating, both through the development of fixed and mobile offices. In Nigeria, it was estimated that the number of branches would double by 2010 and automated teller machines (ATMs) increase from less than 2,000 to more than 5,000.23 In Ghana, Barclays is targeting more than 150 branches by the end of 2008, an increase of 100% from 2006 (2007 PricewaterhouseCoopers survey). Further distribution potential is coming from the rapidly increasing take-up of mobile phones. A number of mobile providers have established alliances to facilitate payments, withdrawals and money transfers via short message service (SMS). Services are available to people, even if they do not have a formal bank account. A pioneering example is M-PESA, a joint venture between Kenyan mobile phone operator Safaricom and Vodafone, with worldwide remittances facilitated by Citibank. E-banking also offers considerable potential (Cohen, Gan, Clemes & Chong, 2006).

2.3.2. Demand of Banking Services

Although retail banking services were until recently quite limited across sub-Saharan Africa, local banks are now responding to increasing consumer demand. As incomes rise, consumers are seeking to move away from reliance on cash to the greater security and convenience of a bank account. A nascent market in mortgages and consumer loans is also developing. The untapped potential is indicated by the fact that the credit to GDP ratio is 18% in Africa, compared to some 30% in South Asia; in Angola it is less than 5% (Beckett & Howcroft, 2000). There is also an increase in demand for international money transfer. Remittances to and within sub-Saharan Africa reached $30 billion in
Stock market expansion is creating increasing demand for broking services, much of which is met by banking groups. In Nigeria, for example, banks control around two-thirds of trading activity by value. Economic growth is also driving the expansion and development of corporate banking, particularly in the areas of project finance and letters of credit (KCB planning team 2007).

Overall, however, both retail and corporate banking are at a relatively early stage of development, offering international groups the opportunity to leverage both their expertise and capital. Brand and reputation rather than personal relationships tend to be the determining factors in choosing a provider, which could give strongly branded international groups an advantage in entering and developing their presence. Importantly, their brand and reputation could also help to attract the best staff at a time when competition for qualified personnel is increasing (LeBoeuf 2000).

2.3.3. Regulation and liberalization

Banking sectors are benefiting from market reform (Schaffer, Earle & Agusti, 1998) Nigeria led the way by raising the minimum capital requirement to $200 million, leading to rapid consolidation (from more than 80 banks to some 25 in 2007). Streamlined, better capitalized and with more extensive reach, Nigerian banks have been able to enhance their services and are in a better position to compete and meet customer demands, while seeking to develop their international presence, both within the region and overseas. Other states may follow Nigeria’s lead, though at present their minimum capital requirement is generally below $10 million (Brownbridge 1998).

South African and Nigerian institutions now dominate the list of largest banking groups based in the sub-Saharan region (certain international groups such as Barclays and Standard Chartered also have a strong presence). A legal framework for the financial sector (including banking law) is or is in the process of being put in place in most African countries. Moreover, state holdings and restrictions on foreign investment are limited, especially in comparison to many emerging markets in Asia. In Kenya, no person is permitted to hold more than 25% of a bank’s capital. In Uganda, no individual or corporate body controlled by a single individual can own more than a 49% stake in a
financial institution. In Angola, foreign investment was until recently restricted to a few Portuguese groups, although the market is now gradually opening its doors (Hull 2002).

In 2007, Standard took control of CFC Bank in Kenya and merged it with its local subsidiary. CFC is a medium-sized, primarily corporate-focused bank. ‘Large corporate and institutional deals will be enabled through the improved technical support and the global market distribution capabilities of Standard Bank Group, which will be sustained by the larger balance sheet of the merged businesses’, said a CFC media statement outlining the rationale for the deal. One of the most interesting developments is Ecobank’s acquisition of a controlling stake in EABS of Kenya. Ecobank’s, which is active in most West African states, has ambitions to be a pan-African bank. ‘Our vision is to become the largest bank in Africa and our entry into East Africa is part of that strategy. We have been looking for a partner who will be able to give us a countrywide footprint in Kenya, which is the most important financial hub in the region – we feel that EABS Bank fits the bill’, said Michael Monari, Ecobank’s Kenya representative. ‘The African banking landscape is undergoing change and only banks with a pan-African footprint will remain competitive.’

Standard’s expansion plans include seeking a license as part of a reported move into Angola. However, developing the necessary branch network to achieve competitive scale can take many years. In an interview with the Ghanaian Chronicle in 2007, Craig Bond said that the group would not be able to reach the scale it needed in many of its target markets through organic growth alone. ‘A lot of our growth strategy has to be acquisitive’, he said. In what is still a relatively under-developed market, an acquirer would have considerable freedom to select target markets and develop an innovative operating model without the encumbrances of legacy systems and practices.

Potential buyers will need to develop a strong relationship and agreement on shared objectives with both the target and the local regulator – despite the relative openness to foreign investment; a predatory takeover would be virtually inconceivable( Hodgetts R. & Luthans F. , 2003). They will also generally need to be closely involved in the development of strategies for transformation and growth in areas ranging from HR to
service and product enhancement. The transfer of expertise is likely to include bringing in managerial and technical personnel from more established markets (Hull 2002).

2.3.4. Foreign investment

International and regional groups are looking to strengthen their footprint as scale becomes an ever-more important competitive advantage (Johnson and Scholes 1999). Demand for banking services is likely to expand and become more sophisticated as economies move up a gear and wealth begins to permeate a growing consumer class. Banks are enhancing their product and distribution capabilities to tap into this expanding market. Market development is likely to include both branch and more innovative mobile/e-banking strategies. Acquisition offers the fastest way to develop a competitive presence in local and regional markets (Lyles and Salk 1996). There is still time to secure a share of this exciting growth, but potential buyers need to move reasonably quickly. Prices are already high and could conceivably increase still further, while the choice of suitable targets may decline as interest and acquisition accelerate.

International groups are set to face ever-stronger competition for the most attractive opportunities from ambitious regional and pan-African players. While much of the investment to date has sought to deliver a fairly quick financial payback, the scale of the necessary investment in acquisition and market development is likely to grow and require a more long-term strategic approach in securing a favorable return. This includes sustained investment in product and talent development. Naturally, investors need to consider the risks of a still volatile and poorly developed region. Yet, the potential rewards certainly merit a fresh look and could make investment ultimately worthwhile (Maina 2006).

2.4. Models for Market Entry Selection Strategy

The stage of development (SD) model, which is also known as U model, was proposed by Johanson and Paul (1975), while studying internationalization strategies of Small and Medium sized Enterprises (SMEs). The model asserts that the internationalization of SME is a long, slow, and incremental process with two dimensions: the geographical or rather cultural expansion and the commitment. The original approach was enhanced and applied by Brooke (1986), to explain market entry mode decisions. The author concluded that the entry mode is dependent on the stage of a firm's development. But also the
enhanced model still has some shortcomings: it provides a set of feasible entry modes but not the right ones (Young et al. 1989). Due to the fact that it is not capable of explaining why a newly established firm starts entry with wholly owned venture but not export, the SD model does not dominate in existent literature.

Transaction cost analysis (TCA) was proposed by Anderson and Gatignon (1986). The underlying theory is based on transaction cost economics initiated by Williamson (1985), as a tool to explain economic problems where asset specificity plays a key role. Under the hypothesis that organizational structure and design are determined by minimizing transaction costs, they concluded that MNEs choose a specific mode of market entry which maximizes the long term risk-adjusted efficiency. The choice depends on four constructs that determine the optimal degree of control: transaction specific asset, external uncertainty, internal uncertainty, and free riding potential. Entry modes are assessed by the level of control. Wholly owned ventures, for example, are characterized by the highest level of control.

Anderson and Weitz (1986), constructed a framework using transaction cost theory to analyze vertical integration and marketing productivity problems. Hill et al. (1990) integrated both environmental and strategic factors into the TCA framework. Klein et al. (1990) extended the TCA by integrating production costs and by dividing external uncertainty. Erramilli and Rao (1993) modified the framework of the TCA to suit for service industries by assuming that firms prefer high level of control unless proven otherwise. Lu (2002) put forward institutional theory as complementary to TCA theory by claiming that the latter is static and unable to explain the evolution of entry mode. Brouthers (2002) extended the TCA to institutional, cultural and transaction cost theory. He claimed that institutional factors refer to the conditions that undermine property rights and increase risks in exchange and that cultural factors tend to influence managerial costs and uncertainty evaluation in the target market.

Through empirical examination he concluded that firms which make their entry mode choice with this criterion are performing better than those which do not. Other researchers empirically examined the TCA on different samples and found great support.
Meyer (2000), through examining the investment behavior of German and British MNEs in CEE, concluded that unstable incomplete institutions increase the transaction costs and thus influence the entry mode decision in transiting economies such as CEE. Nakos et al. (2002) analyzed both the market entry decisions and the performance of Dutch and Greek SMEs in CEE and concluded that the transaction cost relationship identified in previous MNEs studies tend to apply to SMEs as well. Chen and Hu (2002) supported the framework of TCA by examining foreign-invested firms in China from 1979 to 1992. Leung et al. (2003) utilized survival analysis to examine the TCA related factors effecting entry mode decisions of foreign banks for China.

Despite of offering many insights into the role of corporate governance in entry mode decision, the TCA model and its extensions have some clear weaknesses. Transaction costs themselves are ambiguous and difficult to measure. Thus they can only offer very limited implications for the managers in practice, and, what’s more important, transaction cost economy itself has no connection with corporate governance. The TCA framework has only limited explanation ability with respect to complex multinomial choices of market entry mode (Klein et al. 1990).

The ownership, location and internalization (OLI) theory was introduced by Dunning (1977) at a presentation on a Nobel Symposium in Stockholm on “The International Allocation of Economic Activity” intending to identify and evaluate the factors influencing both the initial act and the growth of foreign production. In the following decades the model was developed by the author himself Dunning (1980, 1988, 1995, 1998, and 2000). In his first presentation Dunning recognized that attempts to identify distinctive features of foreign direct investment in terms of ownership endowments were done by Southard (1931) and (Dunning 1958). This idea was explored by Hymer (1960) in his PhD thesis and was refined and extended by Caves (1971 and 1974). Many hypotheses focusing on particular kinds of ownership advantages of MNEs were put forward, for example, production differentiation (Caves 1971) as well as entrepreneur and managerial capacity (McManus 1972).
Some MNEs might enter into a new market for strategic networking for instance. Or, if a MNE is owned by several shareholders, and if some of them are meanwhile upstream or downstream partners of the considered MNE, those might influence the MNE to adopt an entry mode which does not maximize the profit of the MNE but their own one. The organization capacity (OC) model was developed by Aulakh and Kotabe (1997) and Madhok (1998) and it is based on organization theory. It regards a firm as a bundle of capabilities and knowledge where individual skills, organization and technology are inextricably woven together (Nelson and Winter 1982). The model argues that entry mode decision, the firm’s boundary issue, is a capability related one, and it is made under a calculus governed by considerations related to the deployment and development of a firm’s capabilities. For the first time firm or rather organization capacity is taken into account for entry mode choice decision making. However this model has some limitations.

The traditional assumption that the capacity of an individual firm is limited to ownership is invalid when a firm’s efficiency related decisions are significantly influenced by collaborative agreements which might change its capacity strongly. Adopting that a strategy is not only dependent on the organization capacity but also on the organization efficiency, measures of organization efficiency have to be developed. This model also neglects the impact of the decision maker as well as of sociological and political factors.

The decision making process (DMP) model was proposed by Root (1994) and developed by Young et al. (1989), Kumar and Subramaniam (1997), Pan and Tse (2000), as well as Eicher and Kang (2002). It argues that entry mode choice should be treated as a multistage decision making process. In the course of decision making diverse factors, such as the objectives of the intended market entry, the existing environment, as well as the associated risks and costs, have to be taken into account. Focusing on optimizing the process of decision making but not on exploring which factors might affect and what their impact on entry mode choice is this model might be more practical. However it is still not perfect because it ignores the role of the organization itself and that one of the decision maker within the decision making process.
2.5. Greenfield or acquisitions Choices

Empirical evidence shows that in emerging markets, foreign banks are more profitable and more efficient than domestic banks while being less profitable in more developed countries (Claessens, Demirg"uc-Kunt and Huizinga 2001)). These contrasting findings heat the debate as to what extent foreign bank entry benefits customers.

Traditional industrial organization literature predicts that bank entry leads to more competition which should ultimately help borrowers. Indeed, foreign bank presence in emerging countries increases access to loans, especially for large and transparent firms (Mian 2006, Giannetti and Ongena 2005, Clarke, Cull and Martinez Peria 2001). Differences in information distribution (soft versus hard information) between domestic and foreign banks may however obstruct a likewise impact on lending to small and more opaque firms (Dell’Ariccia and Marquez (2004). These firms are often captured by their domestic bank and barred from foreign lending. To date, the impact of the mode of foreign bank entry; foreign acquisition versus foreign de novo or Greenfield investment - on the initial distribution of information and the consequent degree of competition and lending conditions remains largely ignored.

Governments all over the world have expressed their concerns about foreign banks’ cherry picking strategies by keeping up (sometimes illegal) barriers to entry. Foreign banks are sometimes deprived of gaining majority stakes in private domestic banks. Vice versa, domestic policy makers have been reluctant to grant bank licenses that allow foreign investors to start a de novo bank. While foreign de novo banks are more profitable and efficient than foreign acquired banks (Martinez Peria and Mody 2004), (Majnoni, Shankar and V’arhegyi 2003)), it remains unclear whether the mode of entry impacts domestic bank lending conditions and competition as a whole alike. This is especially important for emerging markets where firms heavily depend on bank financing.

In this paper we try to fill this void. We provide a theoretical framework that outlines how the distribution of information between foreign and domestic banks may differ depending on the mode of entry. Empirical evidence shows that in emerging markets,
foreign banks are more profitable and more efficient than domestic banks (Demirgüç-Kunt and Huizinga (2000), Bonin, Hasan and Wachtel (2005), Martínez and Mody (2004)), while being less profitable in more developed countries (Claessens, Kunt and Huizinga (2001)). These contrasting findings heat the debate as to what extent foreign bank entry benefits customers. Traditional industrial organization literature predicts that bank entry leads to more competition which should ultimately help borrowers. Indeed, foreign bank presence in emerging countries increases access to loans, especially for large and transparent firms (Mian, 2006), (Giannetti and Ongena, 2005), (Clarke, Cull and Martínez (2001).

2.5.1. Acquisition and Mergers
This paper discusses whether there is some evidence in recent literature that banks do obtain economies of scale and scope when they expand their activities, mainly by mergers and acquisitions (M&As). In this connection, this paper shows that although there is no clear evidence that such economies have been reached by banks, the final cost-benefit balance of M&As extracted from literature seems to favor the more universal financial franchise. Indeed, M&As can be desirable for banks if the former are expected to increase profits independently of the effect they may have on the latter’s operational efficiency.

2.5.2. Does size matter for a bank?
(Santomero & Eckles (2000), and Berger et al. (2000), discussed the alleged benefit of economies of scale and scope as related to the increased cost efficiency. The basic idea is that the emergence of broad financial firms enables costs to be lowered, if scale or scope economies are relevant and if the range of expansion is within the band whereby they can be achieved. If economies of scale and scope prevail, increased size will help create systemic financial efficiency and shareholder.

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 business may benefit from economies of scale while others may be hampered by it. Examples of potential gains of scale in banking activity include physical branch distribution network, infrastructure software, and electronic distribution systems.
(Humphrey 1992) stresses the difficulties of estimating and comparing economies of scales and scope among banking institutions. According to (Dymski 1999), 1980s studies have two basic findings: first, economies of scale in banking are achieved at modest asset volumes as low as $100 million; and second, even if economies of scale are to be had in specific financial activities, these confer relatively small cost advantages to larger banks. 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 a broad range of products. Most empirical studies have failed to find economies of scope in banking, insurance, and securities industries, with very little evidence of significant cost scope or diseconomies within the banking, securities, and insurance industries (Saunders, 1996). Nevertheless, these results can be misleading, as they cover a period in which part of the financial institutions were shifting away from a pure focus on banking or insurance and, for this reason, may have incurred considerable costs in expanding the range of their activities (Walter, 1999).

2.6. Conclusion

The literature reviewed is not uniquely giving light on Kenyan situation; most of it is on the developed or emerging markets in which Kenya is not in both leagues. It is therefore of paramount importance to study a Kenyan scenario, more so the case of one of Kenya's biggest bank in terms of asset size. The chapter looked at the various works that had been done before that is intended to give more insight about the study in hand. It discussed the market entry strategy, first mover advantages, basic market entry strategic planning, the African banking industry market environment highlights, determinants of marketing entry strategy selection and Greenfield or acquisitions choices. It finally showed the existence of literature gaps. The next chapter will propose the methodology to be used when conducting the study.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Research Design

The research design employed in this study was case study on strategies used by KCB when entering its new markets.

This study used a case study design because it enables the collection of in-depth information about the population being studied. It gives proper and succinct recommendations to KCB and other financial institutions intending to enter new markets.

3.2. Data Collection

Data used in this study was obtained from primary and secondary data collection. Primary data is obtained first hand by the researcher while secondary data refers to information gathered from already existing sources. Primary data was collected using two sets of questionnaires that were developed by the researcher on the basis of research questions.

One set of questionnaire was used to collect data from employees in Head office whereas interviews targeted only senior management. The questionnaires were administered through e-mails. The questionnaire was structured and interviews were conducted using the interview guide.

3.3 Data Analysis

This study analyzed both qualitative and quantitative data. To ensure ease of analysis, the questionnaire was coded according to each objective of the study to ensure the margin of error is minimized in order to achieve accurate analysis. The quantitative analysis will be applied using pie charts and Bar graphs.
4.1. Data method Response rate

This chapter deals with the interview guides, questionnaire response rate, reporting of data analysis and discusses the findings from the data. The data involved the questionnaires and interview guides received from respondents administered by the researcher. Data analysis was done according to research questions of the study and the findings was then considered and discussed.

The questionnaire was given to the respondents which were duly completed and returned constituting 95% return rate whereas the interview guide was used to interview respondents and the return rate was 95%. All the questionnaires were administered by the researcher and all collected constituting 95% return rate these were considered adequate for the study.

4.2. Data Reporting

![Males and Females Pie Chart]

Fig 2: Respondents Demographics by Gender. This figure shows that most of KCB employees were male forming 68% while the 32% were female.
Fig 3: Respondents Demographics by Management Level. This figure shows that the respondents comprised of 10% senior managers who were involved in the in depth interviews to provide qualitative data. While 21% were middle level managers and 69% were low level managers.

Fig 4: Respondents Demographics by Number of Years Worked. This figure shows that over 70% of the respondents had more than 4 years of experience in KCB and therefore enhances the quality of information provided by the respondents.

Fig 5: KCB’s Market Entry Documentation, Communication and Level of Success. This figure shows that 96% employees were aware of a documented market entry strategy.
with 92% feeling that it was well communicated and 88% claiming that it was successful. This shows a lot of confidence in the entry strategies used by KCB from the employees’ perspective and also shows that they were well motivated to rally behind the strategy to ensure that it worked.

Fig 6: KCB’s Market Entry Strategy. This figure shows that KCB mainly targeted new market and the development of new channels of distribution. They were however not very keen at improving services to get niche markets and they hardly reduce prices to penetrate markets. This showed that KCB were a confident player and would not sell cheap nor specialize in one area of service but instead it kept it robust business moving and focus on development of new markets and targeted new geographic markets with its already tested products and services

Fig 7: KCB’s Market Entry Determinants. This figure shows that KCB looked mainly on how easy it was to penetrate a market, the level of banking service and how liberal were market regulations. There were less keen on whether the target markets were in need of
foreign investment and whether there were market efficiencies. KCB realized that it would be difficult to find an efficient market in the second and third world and that the need foreign investment was not a crucial indicator of level of business in east African market.

The ease of penetration was important for KCB because it would determine the costs of setting up and settling into the new market, the level of demand for banking service was important as it also showed how much volumes of business would be generated to support business and enhance the possibility of breaking even faster. The liberalization of the market was key as KCB were keen to see if the new market would have the flexibility of allowing innovations of new banking products.

Fig 8: KCB’s Market Entry Strategy Selection Tools/Criterion. This figure shows that KCB relied heavily on the financial forecasts to determine whether to apply a strategy i.e. whether to enter a new market, or to have a new distribution channel. Second to financial forecast was the SWOT analysis which would determine the risks, threats, existing strength that would propel it in the new market or whether they are great opportunities that needed to be ceased at the shortest time possible.

The SWOT analysis would be key that the management would use to convince the decision makers to allow such a move in areas that decision makers may not have full information about. Sensitivity analysis was also highly used albeit the least popular amongst the three as it exaggerated risks and sometime tended to be the used negatively by risk averse decision makers.
Fig 9: KCB’s Market Failure Correction Strategies. This figure shows that KCB had weak market failure correction strategies. Most employees were uncertain whether there was a definite break even period. The break even period was said to vary from project to project or geographic area to the other and that there were not specifications or policies surrounding a defined break even period after which if the business was not hitting the mark then plans to exit would be mapped. There were also no clearly defined decision support systems to assist in correcting market failures.

The business intelligence tools available at the bank were able to provide information on market failures on certain occasions but not to all hence the uncertainties. One thing was clear though, KCB did not have a documented market exit strategy and therefore when they faced a market failure they would intuition to handle the case. This was not good for gathering experience and was regarded as a weakness that needed to be addressed in the shortest time. Senior managers however observed that it had come up in different operation risk forums and a team had already been put in place to look into the matter and chart the way forward.

4.2.1. Qualitative Information

Market Entry Strategies
Senior managers thought that KCB targeted mainly new geographic areas and also new distribution channels with heavy emphasize on the former. The use of green field approach with mainly brick and mortar model was always being applied. Heavy investments have been done along that route and senior managers were rethinking about this strategy especially with entrance of internet and mobile banking. The technological
changes happening in the industry are causing a paradigm shift in the business thinking of most managers. What they were beginning to question the strategies they had previously used.

Sudan market can be considered as super successful with the bank breaking even in its second year. Uganda can also be considered fairly successful with its run rate showing a possibility of breaking even within two and a half years and same could be said of Rwanda and Zanzibar. Tanzania however can be considered as a failure. In all markets, the Greenfield approach had yielded positive results even the new distribution channels like ATMs and mobile banking were yielding good results, except for Tanzania which required a different approach.

The success of these entrants has been caused by a thorough research done before the entry and the commitment of KCB to inculcate a homogenous service culture across the board and ensure uniformity in products offering and allowing tailor made service when necessary to suit different markets. In Southern Sudan for instance the employment of Sudanese has endeared the customers to feel KCB as part of their own while KCB foundation donation in Zanzibar sparked the demand for KCB products as it was seen to be interested in the welfare of the people of Zanzibar and not merely profit.

Most managers were of the opinion that the KCB inability to turnaround its investment in Tanzania was because it failed to create a service niche and neither did it cut it price to penetrate this market. They went further to claim that the lack of exit strategy had made it difficult to move out of Tanzania even after years of persistent losses.

Senior managers claim that green field approach has been largely successful but would put a strain on cash flows if pursued to the fullest in every region. They also thought that with changes in technology brick and mortar approach would not be the most efficient way of accessing the market.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1. Introduction
This chapter is a summary of the results of the study. The chapter begins with a summary covering the general and specific objectives of the study, methodology used and the major findings. This summary is followed by a discussion, the researcher’s conclusions and recommendations.

5.2. Summary
General objective of the Study
The general objective of this study was to establish whether the strategies used by Kenya commercial bank will give it a competitive edge over the other local banks in the East African financial market.

Specific Objectives of the Study
1. Find out the strategies used by KCB when entering its new markets
2. Finding out the level of successes or failures of the strategies
3. Find out causes of successes and failure
4. Recommend possible solutions

The methodology employed in this study was case study. Case study was used because it would provide both qualitative and quantitative information on research subject. The tool mainly used was interview and secondary to it was the questionnaire. KCB was the bank selected for the case study as it had already ventured in to four other Eastern African countries and was now considered as a major player in the region. The researcher used Microsoft Excel and SPSS software for data analysis and presented charts, tables and narratives on the findings.

The major findings from the data collected were that KCB targeted new geographic areas and new distribution channels. They did not focus on service improvement for niche
markets nor was price reduction for penetration cause of failure in Tanzania. The ease of penetration, demand of banking service and liberalization of the market were most important for KCB. Financial market forecasts and SWOT analysis and sensitivity analysis have greatly made KCB to make right market entry strategies. They targeted profitability; market share and break even period were not defined. KCB lacked market exit strategy and they relied heavily on Greenfield Investment Approach.

5.3. Discussion
In the discussion the study looked at KCB market entry strategies, their level of success, the causes of success or failures and recommendations.

5.3.1. KCB New Market Entry Strategies
Sandberg and Hofer (1987) claimed that price cuts were crucial for a successful market entry while Green (1995) claimed that improving service to create market niche was the best strategy for entering new markets however the finding showed that KCB were successful without those approaches. KCB mainly targeted new market and the development of new channels of distribution. They were however not very keen at improving services to get niche markets and they hardly reduce prices to penetrate markets.

5.3.2. Level of Success of KCB Market Entry Strategies
Green (1995) claimed that Greenfield approach was the most consistent market entry that guaranteed success the findings were consistent with this claims as for KCB in all markets, the Greenfield approach had yielded positive results even the new distribution channels like ATMs and mobile banking were yielding good results, except for Tanzania which required a different approach. Sudan market was considered as super successful with the bank breaking even in its second year. Uganda would also be considered fairly successful with its run rate showing a possibility of breaking even within two and a half years and same could be said of Rwanda and Zanzibar. Tanzania however was considered as a failure.

5.3.3. Causes of Success or Failures for KCB Market Entry Strategies
Santomero and Eckles (2000) claimed that market entry success or failure was down to the research and planning made before entry. The findings showed that though the sentiments were true there were other aspects beyond research and planning that would
lead to successful market entry. In KCB most market entries were successful. The success of these entrants has been caused by a thorough research done before the entry and the commitment of KCB to inculcate a homogenous service culture across the board and ensure uniformity in products offering and allowing tailor made service when necessary to suit different markets. In Southern Sudan for instance the employment of Sudanese has endeared the customers to feel KCB as part of their own while KCB foundation donation in Zanzibar sparked the demand for KCB products as it was seen to be interested in the welfare of the people of Zanzibar and not merely profit. KCB inability to turnaround its investment in Tanzania was because it failed to create a service niche and neither did it cut it price to penetrate this market. They went further to claim that the lack of exit strategy had made it difficult to move out of Tanzania even after years of persistent losses.

5.3.4. Possible Solutions for KCB Market Entry Strategies Failures
Greenfield approach has been largely successful but would put a strain on cash flows if pursued to the fullest in every region. Changes in technology brick and mortar approach would not be the most efficient way of accessing the market. There was need for partnerships especially with money transfer agents, telephone service providers, agent banking and others. Acquisitions and mergers were also ways for market entrance. The creation of niche market would be essential in certain markets and price cuts for market penetration.

5.3.5. Conclusions
The study showed that when a company wishes to enter a market it should prepare beyond market entry and have policies for measuring key performance indicators before and after entering and that it was important to have policies to guide entry and exit strategies, investment criterion and technology to be used. KCB’s success were mainly due to its research, planning and soft issues it had handled properly while its failures were mainly on policies made which they needed to address.
5.4. Recommendations
KCB needed to re-look at its investment approach where balance of acquisition, mergers, and partnerships like agent banking should be used to complement its Greenfield approach. They should look at new technologies of accessing the market rather than the brick and mortar approach. Improvements on its business intelligence to allow it monitor performance of its new market entrants on an ongoing basis. KCB should develop well defined profitability and break even criterion and market exit strategy.

KCB need to consider price cuts and service improvement for niche markets as strategy suitable for certain market entrants. They should also do a feasibility study before investment in new markets, or distribution channel. Investment in corporate social responsibility activities and policy of employing residents of its new markets to create sense of belonging should continue. They should also continue cross listing its shares to all the new markets and beyond

5.5. Recommendations for further Research
Other areas which may be studied include:
The Market Dynamics of the East African Banking Sector; The Determinants of Successful Market Entry Strategies in Africa; The Impact of East Africa Union on the Business Operations in the Region; The competitiveness of East African Businesses as compared to the rest of Africa

5.6. Limitations
This research is limited only to the strategies adopted by Kenya commercial Bank to gain entry into the East Africa region financial market. More research can be done regarding other financial institutions in the region or beyond.
REFERENCES


APPENDIX I: COVER LETTER

CAROLINE NGETICH
UNIVERSITY OF NAIROBI
NAIROBI.

Dear Respondent,

I am carrying out research on the strategies used by Kenyan Banks to penetrate into East Africa financial market. This is in partial fulfillment of the requirements for the degree of Masters in Business Administration (International Business) at the University of Nairobi.

This study uses Kenya Commercial Bank as the case study from which you have been selected as one of the lucky respondents. The success of this research substantially depends on your help and co-operation.

I hereby request you to respond to the questionnaire items as honestly as possible and the best of your knowledge. The questionnaire is designed for the purpose of this study only therefore the response shall absolutely be confidential.

Thank you in advance,

Yours sincerely,

Caroline Ngetich.
# APPENDIX 2: QUESTIONNAIRE FOR EMPLOYEES

<table>
<thead>
<tr>
<th></th>
<th>Branch Name:</th>
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<tbody>
<tr>
<td>2</td>
<td>Gender of Respondent: M F</td>
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<tr>
<td>3</td>
<td>How many years have you worked at KCB? (tick the appropriate response) Under 2yrs---, 2-4 yrs---, 4-8 yrs---, Over 8yrs-----</td>
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<tr>
<td>4</td>
<td>Do you think the KCBs Market Entry Strategy are successful? (tick the appropriate description) A B</td>
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<tr>
<td>5</td>
<td>Does the bank have a Market Entry strategy document? A B</td>
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<tr>
<td>6</td>
<td>If yes, has it been communicated to all concerned staff members in your Unit? A B</td>
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</table>
Kindly indicate the extent at which you agree with the following statements. Tick as appropriate

### 7. Market Entry Strategy

<table>
<thead>
<tr>
<th></th>
<th>Disagree Totally</th>
<th>Disagree to a large extent</th>
<th>Neither agree nor disagree</th>
<th>Agree to a large extent</th>
<th>Totally Agree</th>
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<tbody>
<tr>
<td>7a. Does KCB reduce price to penetrate market?</td>
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<td>7b. Does KCB improve its services to get niche market?</td>
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<td>7c. Does KCB target new geographic market?</td>
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<tr>
<td>7d. Does KCB develop new channels of distribution?</td>
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### 8. Determinants of Market Entry Strategy

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<th></th>
<th>Disagree Totally</th>
<th>Disagree to a large extent</th>
<th>Neither agree nor disagree</th>
<th>Agree to a large extent</th>
<th>Totally Agree</th>
</tr>
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<tbody>
<tr>
<td>8a. Ease of penetration is key determinant for market entry strategy for KCB</td>
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<td>8b. Level of Demand for Banking Service is key determinant for market entry strategy for KCB</td>
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<td>8c. Regulation and liberalization</td>
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39
of the markets is key determinant for market entry strategy for KCB

8d. Need for Foreign investment by target market is key determinant for market entry strategy for KCB

8e. Competition and Market Efficiency were key determinants for market entry strategy for KCB

<table>
<thead>
<tr>
<th><strong>9: Market Entry Selection Criterion</strong></th>
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</thead>
<tbody>
<tr>
<td>9a. KCB always does Financial Forecasts before deciding Market Entry Strategy</td>
</tr>
<tr>
<td>9b. KCB always does sensitivity analysis before deciding Market Entry Strategy</td>
</tr>
<tr>
<td>9c. KCB always does SWOT Analysis before deciding Market Entry Strategy</td>
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<tr>
<th><strong>10 Market Entry Failure Correction Strategies</strong></th>
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<tbody>
<tr>
<td>10a KCB always had exit strategy stipulated at the onset of new market entry</td>
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<tr>
<td>10b KCB always had decision support systems that would advise her on corrective measures to take incase of failures</td>
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<tr>
<td>10c KCB always had a definite</td>
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</table>
break even period which if not met then KCB would reduce or sell out its investment in the new market

Thank you

APPENDIX 3: SENIOR MANAGEMENT INTERVIEW GUIDE

1) Note gender, time interviewed start and time ending
2) Introduction: introduce oneself, state academic reason for the interview, state importance, approximate time the interview will take and general objectives
3) Find out name, The Department worked in, management level and experience in the banking industry
4) Identify KCB’s market entry strategies
5) Views on KCB’s market entry strategy
6) Determinants of market entry strategy
7) Experiences of Market entry success or failures
8) Underlying factors for success or failures
9) Corrective measures of market entry success or failures
10) Thank the interviewee
Table 1: LIST OF KCB GROUP HEAD OFFICE EMPLOYEES.

<table>
<thead>
<tr>
<th>KCB Group Head Offices</th>
<th>Senior managers</th>
<th>Middle Managers</th>
<th>Level Managers</th>
<th>Lower Level Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya</td>
<td>55</td>
<td>128</td>
<td>501</td>
<td>684</td>
</tr>
<tr>
<td>Tanzania</td>
<td>9</td>
<td>19</td>
<td>61</td>
<td>89</td>
</tr>
<tr>
<td>Sudan</td>
<td>4</td>
<td>6</td>
<td>28</td>
<td>38</td>
</tr>
<tr>
<td>Uganda</td>
<td>4</td>
<td>9</td>
<td>21</td>
<td>34</td>
</tr>
<tr>
<td>Rwanda</td>
<td>4</td>
<td>5</td>
<td>19</td>
<td>28</td>
</tr>
<tr>
<td>Total</td>
<td><strong>76</strong></td>
<td><strong>167</strong></td>
<td><strong>630</strong></td>
<td><strong>873</strong></td>
</tr>
</tbody>
</table>