AGENCY BANKING AS AN EXPANSION STRATEGY FOR KENYA COMMERCIAL BANK

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTERS OF BUSINESS ADMNISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

OCTOBER, 2014

DECLARATION

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

Signed: --- Date---------------------------------

KOMEN KIPKOSGEI FRANCIS
D61/72312/2011

This Research report has been submitted for examination with my approval as University Supervisor.

Signed: -- Date ---------------------------------

DR. REGINA KITIABI
LECTURER
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI

ACKNOWLEDGMENTS

First of all I thank God for enabling me to come with this project. Secondly I would like to acknowledge the help given to me by my **Supervisor Dr. Kitiabi** as she took me step by step in compiling this project. She has shown a lot of patience, dedication and by sacrificing her time to guide me and also enabling me conceptualize issues articulated in refining this project.

Many thanks go to my fellow colleagues in particular the Head of the department Bernard Okello through his understanding when I had to leave office early and the encouragement and moral support he gave me and not forgetting the financial support my employer accorded me. I also acknowledge the assistance of any other person(s) who may have helped me in one way or the other to reach this far.

DEDICATION

This work is dedicated to my parents Mr. and Mrs. Michael Komen Cherono, a good and strong foundation they set which has made me reach this far. My beloved wife Elizabeth J. Komen, for her support both morally, financially and in domestic matters throughout my period of study. To my beloved two sons, Ezra Kiprotich Kosgei and Felix Kipkoech Kosgei and daughter Elsie Jebet Kosgei who patiently bore the pain of their father coming home late in the evening.

ABSTRACT

The banking industry has experienced a rapid growth in terms of profits, deposits, revenues from 2002 to date. This trend has triggered a lot of competition in the banking industry. KCB has managed to weather this competition to stand out as one of the most successful Kenyan businesses today. This paper seeks to explore the extent to which Agency Banking has been explored as an expansion strategy at Kenya Commercial Bank Group Ltd to remain relevant and competitive business. Kenya Commercial Bank is one among 43 other commercial banks in Kenya that form a subset in the set of Financial Institutions. The emphasis of this study is laid on how the structure, scope and extent to which Agency Banking have been explored as an expansion strategy in KCB. The study also seeks to find out challenges of Implementing Agency Banking as an expansion Strategy at KCB and agency banking relevance as expansion strategy. The project will use the approach of a case study to have an in-depth analysis of how the various factors attributes to strategy, challenges of its implementation. Primary data will be collected through the use of an interview guide and data collected will be analysed through content analysis. Secondary data will be collected through the use of circulars, staff magazines emails and staff notes on training for Agency Banking.

Keywords in this project include among others: Banking industry, Kenya Commercial Bank (KCB), Agency banking, expansion strategy, Agency banking strategy, adoption of agency banking by KCB, branchless banking, Central Bank of Kenya (CBK) and Ansoff’s growth matrix

TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS

ATMs	Automated Teller Machines
BB	Branchless Banking
CBK	Central Bank of Kenya
GDP	Gross Domestic Product
IPO	Initial Public offer
KCB	Kenya Commercial Bank
UAE	United Arab Emirates
SPSS	Statistical Package for the Social Sciences
AB	Agency Banking
GOK	Government of Kenya
FI	Financial Institutions

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The environment in which organizations exist is very dynamic and changes are frequent and punitive if there are no strategies to combat or mitigate them. Yet in this turbulent environment, organizations are not only expected to survive but also to have a competitive advantage over their competitors. This necessitates the need for strategy. Porter (1996) noted that strategic decisions are aimed at differentiating an organization from its competitors in a way that is sustainable in the future. Organizations therefore need strategy to sustain their rapid expansion in the very competitive environment. The current consumer is informed, he keeps abreast with technology and has a broad spectrum of products from which to choose. This challenges the organizations not only to come up with good strategies but also to develop broad products spectrum to present to consumers.

Conditions to implement strategies must prevail in order for the success of the strategy to be successful. Companies have long known that to be competitive they must re-align structures, systems, leadership behavior, human resource policies, culture, values and management processes. This negates the idea that a well communicated strategy equals successful strategy implementation. Implementing strategy would have key challenges that may need to be overcome in order to fully appreciate the results of implementation. An organization that seeks to achieve any strategy in order to attain a key success factor such as growth will need to define its concept of the strategy (Porter, 1996).

The banking industry has responded to this changing business environment with several strategic responses. While banks like Kenya Commercial bank (KCB), Cooperative Bank, Ecobank and Family bank have adopted expansion strategy regionally and also opening more branches and recruiting more agents to match banks already present in these regions. Other banks like Diamond Trust bank and NIC Bank have resorted to national expansion. Banks like Cooperative Bank, Family Bank, ABC Bank have broadened their product offerings with an aim of transforming themselves to financial supermarkets (CBK, 2012).

Defining the industry in which expansion takes place is important for good industry analysis, not to mention developing strategy and setting business unit boundaries (Porter 2008). KCB's expansion strategy extends beyond agency banking to cover strategies like branch expansion, Mobile banking, internet banking and diaspora banking. The challenge of access to formal financial services remains a big impediment to financial inclusion. Kenyans (especially in remote areas) are forced to travel long distances and spend huge amounts on transport in order to access a bank branch. In addition to the cost of transport is the time spent commuting to and from banking halls that could have been spent more productively.

To curb the above challenges, the Central Bank of Kenya released a legislation that allows commercial banks to contract third party retail networks as agents. In 2009 Central Bank of Kenya commenced measures to open up banking channels to non-bank-agents. An amendment to the Banking Act allowed banks to start using agents to deliver financial services. Upon successful application, vetting and approval; these Agents are authorized to offer selected products and services on behalf of the Bank. This relationship creates an Agency Banking business model (CBK, 2013)

1.1.1 Expansion Strategy

Every business in monopolies believes that there are customers it has not reached; customers that would otherwise be purchasing from them but due to certain reasons are not (Koske, 2003). It believes that there are customers it can attract from competition and a number of customers that it could loose. It therefore needs to attract more customers by appealing to them and reaching them with its products and retain the existing customers. It needs to expand. There are a number of strategies for expanding a business and the owners of the business have the responsibility of making sound decisions. The management has a range of choices to pick in line with how they want the business to expand (Gakenia, 2008).

A business may use mergers, acquisitions, IPOs, franchising or borrow from Ansoff's Growth Matrix amongst many other strategies of growth. Ansoff's Growth Matrix acts as a good summary for all. It is in exploring the strategy of growth and expansion that the financial sector in Kenya in support of the government's Vision 2030 came up with the concept of Agency Banking. The financial institutions in Kenya are expected to explore and implement innovative models that would deepen their support to the country's mobilisation of savings and investment growth.

1.1.2 Agency Banking

A bank Agent is a commercial entity that has been contracted by Commercial Bank and approved by the Central Bank of Kenya to provide specific services on behalf of the bank. Agents are equipped with the skills necessary to provide basic banking services according to standards set by the Banks with commercial banks key objective of offering the full range of banking services to their customers without them having to visit a branch. This provides the opportunity to access financial products and services at a location nearest to the customer, thus breaking down certain barriers to financial inclusion such as cost and accessibility (CBK, 2008).

Agency banking as a strategy of expansion depicts its concept from the Branchless banking model into which the wordings are used interchangeably. Branchless banking is a distribution channel strategy used for delivering financial services without relying on bank branches (Ivatury and Mars, 2008). It represents a cheaper alternative to conventional branch based banking through the use of delivery channels like retail outlets, mobile phones, internet and automated teller machines (ATMs). Agency banking is a type of branchless banking where third parties are involved in performing some of the activities that are traditionally performed in banking halls by bank personnel.

1.1.3 Overview of the banking industry in Kenya

The banking sector in Kenya operates in a relatively deregulated environment governed by the companies' Act, the Banking Act, the CBK Act and the various prudential guidelines issued by the CBK. The financial performances of banks have been in a general increasing trend and these have mainly been attributed to proper management and proper formulation and implementation of strategy. In Kenya there are a total of 43 banks which are all for the same market share. (CBK Annual Report, 2013).The Kenyan banking industry has faced some challenges including: stiff competition among the existing local banks as they offer substitute products, offer loaning services at different rates. Microfinance and Savings and Credit Societies (Saccos) institutions are emerging key players in delivery of financial services. However, it is expected that the banking sector will continue to grow especially in retail banking segment, as major consumer segments remain largely unbanked.

According to the CBK Annual Report (2013) the banking sector has continued to experience significant factors simultaneously. Commercial banks in Kenya expect agents to use digital tools and devices like tablets and smartphones, so that they can expand the customer base as well as shrink costs. Digital revolution will attract and encourage more agents to participate. As part of their multi-channel strategy, banks are looking to integrate agency banking so that transactions initiated at agent touch points can be completed at the branch or even on channels like mobile or ATMs. Going forward, agency banking will no longer be a ‘‘silo extension’’ of the branch or a desperate channel but are likely to play major role in financial deepening and reduction of informal finance in Kenya.

1.2 Research Problem

Overcoming challenges in strategy implementation necessitates the successful adoption of strategy. Many strategies are not fully realized due to inability to overcome challenges or poor implementation structures and procedures. Unless strategy is translated to measures that employees can understand, it becomes limited to accept its functionality (Lynch, 2002). This curtails the positive attributes or development that the strategy was to bring.

A recent conducted survey (National Bank website) revealed that only 30% of the bankable population in Kenya can access financial services. 70% of the bankable populations have no access to any formal banking services. This comprises about 20 million Kenyans who can maintain at least a single bank account. The government through the vision 2030 plans to increase banked Kenyans to about 70%. In support of vision 2030, Kenya's financial sector is expected to explore and implement innovative growth. In this regard, the Finance Act 2009 was amended to allow banks use third party entities to offer services on their behalf.

A significant recent development in the banking sector has been the licensing of agent banking. As at the end of 2011, eight commercial banks had 9,748 licensed and active agents who facilitated more than eight million transactions worth Kes.43 billion. Some 8,000 agents had been licensed in 2010, a factor that is widening the gap in financial access between Kenya and its East African Community Partners. The agency banking model introduced in 2010 is turning out to be the favoured weapon in this fight as the banks look to the bottom of the market segment by reaching out to potential customers in the low-end market. The banks have so far opened over 20,000 agency outlets in arrears occupied by the low to middle income earners (Standard newspaper May 26, 2014) which KCB Head of Agency banking confirmed this fact.

A previous study have dealt with challenges in implementing strategy but non-specifically has dealt with the study of challenges of implementing agency banking as an expansion strategy within Banking industry in Kenya. The following studies so far have been conducted: Nabutola (2004) did a study on Risk and Disaster Management in Commercial Banks and Juma Kiprotich (2008) did a study in Strategic implementation and its Challenges but at the African Braille Centre. Gakenia (2008) study on Strategy Implementation by KCB, Kanini (2008) did a study in Implementing Strategic Information Systems in commercial banks in Kenya, Waweru and Kalani (2009) did a study on the Commercial Banking Crisis in Kenya – Causes and Remedies. CGAP 2010 Notes on Regulation of Branchless Banking in Kenya studies the legal and policy changes through the end of 2009. To the best knowledge of the study, no known study has been done on the Agency Banking as an expansion strategy in Kenya Commercial Bank. The study seeks to answer the question; to what extent has Kenya Commercial bank implemented agency banking as an expansion strategy?

1.3 Research Objectives of the Study

The objective of this study is to determine the extent to which KCB has adopted agency banking as an expansion strategy.

1.4 Value of the Study

This study will be important to the various users of this research information who will include government regulators, KCB staff, other banks, investors and academia. This study will be very valuable to the regulators like Central Bank of Kenya considering the pivotal position played by KCB in the Kenyan banking industry; according to CBK (2013) Kenya had about 12 million bank customers as at December 2013 and by the end of March 2013 KCB had over 3 million accounts. This implies that KCB currently controls over 25% of all the bank accounts in Kenya.

Other regulators who may be interested in KCB case study include Kenya Bankers Association and Capital Markets Authority. This study will also be useful to investment bankers and investors (existing and potential) as it will give them gainful insight on the KCB business model.

This research will be beneficial to KCB in that it will expose the gaps in its strategy, which if addressed in time will help it to prevent any unseen shortcomings/losses arising from agency banking. It will also identify the strategies it can leverage to sustain its expansion. The study will also make significant contribution to current and potential investors of Kenyan banking industry, as it will provide a lot of insight on the strategies they can use to respond to competition. This research will add value to the existing body of knowledge in this area and stimulate further research on different aspect of agency banking.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review on the utilization of agency banking as expansion strategy of banks in Kenya. It summarizes the information from other researchers who have studied the field. The review helps in understanding of the current body of knowledge on the research topic while the empirical review help in understanding what other related studies have found and suggested.

2.2 Theoretical Foundation

Agency theory analyzes the relationship between a business firm's owners and its managers who, under law, are agents for the owners which in this case not the subject of the study. Agency banking theories look at the commercial bank as the principle and correspondent bank (agent banks) as the agent, which are retail establishments contracted by the banks and authorized by the central banks to render services for commercial banks. Two theories are therefore relevant in explaining the main forces driving banks to embrace agency banking in their expansion strategy and are therefore discussed. These are Porter Theory of competitive advantage and innovation theory.

2.2.1 Porter theory of competitive advantage.

Michael porter proposed theory in 1985. Competitive advantage theory suggests that states and businesses should pursue policies that create high quality goods to sell at high prices in the market. Porter emphasizes productivity growth as the focus of national strategies (Porter, 2004). Competitive advantage stresses on maximizing economies of scales in goods and services that garner premium prices. Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade over or inexpensive powers, or access to highly trained and skilled personnel human resource. On that note therefore, banks in Kenya have employed the use of agent banking. The banking industry in Kenya has been characterized by stiff competition between the banks with each competing for market leadership. It is advantageous for any bank when it is a market leader because it has significant financial and perpetual benefits which then lead to consistency and focus on quality; it also enhances the use of the full range of banking tools to solidify performance and leads to ownership of core benefits with a balance of national and economic massages. (Aryeeteve & Cludry 1998).

The secret of gaining competitive advantage among the banking service providers is by building themselves as brand and target to retain brand loyalty and enhance brand presence where it is limited and this has been achieved by the use of agent banking in the unbanked locations in Kenya. Branding helps banks to distinguish and differentiate themselves from competitors (Miller, M, and C 2003). Brand loyalty gives the brand stability of future sales and less costly to retain it.

2.2.2 Innovation theory.

The world is witnessing today profound transformations and acceleration as a result of the tremendous development of information technology and the steady growth of volume of information, which has led to the emergence of new types of transactions and activities in various fields (Joseph N, 2005). The banking sector has been one of the first sections that have adopted many electronic applications to improve performance and gain a competitive advantage strategy. In light of the extensive use of information and communication technologies, the financial services industry and banking has provided new systems and applications that maximizes the use of modern technology and are now available.

Therefore it has become necessary for banks to change the concept of traditional banking service to remote banking services because of the rapid growth of electronic banking services by customers and increased competition among banks to reduce costs, raise efficiency and attract more customers. Hence the bank agents have thrived and are currently estimated to have 33% penetration. The number of banks opening branches has decreased and is attributed to affordable agent banking and lowers service charges (Makori.J.G.2003). Innovation in banking should be directed to at improving the infrastructure that fosters efficient financial services and international trade.

2.3 Empirical review

In Kenya there are 43 banks, 1 mortgage finance company, 8 deposit taking microfinance institutions and 7 representative offices of foreign banks as at 31.03.2013. At the same period the banking sector registered improved performance with assets standing at Kes.2.4 trillion and profit before tax stood at Kes.28.2 billion. The total branch network of the Kenyan banks has risen by 20 per cent to 209 branches in the last three years despite agency banking being in place. The total number of outlets grew to 1,272 in 2012 up from 1,063 in 2010 (CBK 2012). CBK projects more branches as the county governments undertake various measures to increase their economic activities.

The operationalization of the Finance Act 2009, allowed banks to use third party agents to lower costs and reach out to the unbanked. The introduction of agency banking has enabled banks to provide banking services in a cost effective way, which has benefited customers. It has also enhanced financial access and inclusion, especially for the unbanked population. The banks have so far opened over 20,000 agency banking outlets in areas occupied by the low to middle income earners. Agency banking is unlikely to undermine or destabilise the branch system but may only rationalize it, since agents typically do not replace existing branches. Kenyan banks have realized tremendous growth in the last 5 years and have expanded to the east African region. The banking industry has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customers, increased competition and globalization challenges. Kenya Commercial Bank has not been left behind and has responded to this changing business environment by adopting agency banking aggressively to expand the market segment. As at June 2014 they had opened 8,000 agents which almost accounts for 50% in the industry.

Different authors have defined the practice and concept of strategy variedly for example; Ansoff and McDonnell (1990) define Strategy as a set of decision making rules for guidance of organization behaviour. Scholes and Johnson (2004) defines Strategy as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a challenging environment to meet the need of markets and to fulfil stakeholders expectations that's where the business is trying to get in the long term. Johnson and Scholes (2004) definition identifies three components of strategy. One is the need to define scope and range of organizations activities within the specific environment it operates in, two is the need of customers and markets matched against resource capabilities to determine long term direction and third the role which stakeholders have on the strategy circulation because of their influence over the values, beliefs and principles which govern organization behaviour and business conduct.

Drucker (1998) traces the word 'strategy' from "strategu" meaning 'to plan the destruction of ones enemies through effective use of resources. This was due to early Greek developing the concept for military commanders to achieve winning in a war. The concept changed in the 1960s to incorporate decisions that corporate organizations adopted in order to compete effectively with others in the same line of manufacturing. It can be seen that formal strategic management has its beginnings in the 1950's as the early writers of strategy depict. The works of Drucker (1958), collaborate these findings.

Bryson's (1995) definition of strategy incorporates a broad spectrum of plan of purpose, policies, actions, decisions and/or resource allocations that defines what an organization is, what it does and why it does what it does. Bryson's definition incorporates the definitions of many writers as it shows the practical purpose of planning with a thought process supposed to end at a precedent end. It entails a broad overview of looking at corporate planning.

2.3.1 Expansion Strategy

The strategic decisions companies make often involve deciding on how to grow and develop the business using the resources and opportunities that it has. Understanding the different ways a company can grow is necessary and is always needed (Clare, 2008). Companies spend resources in undertaking internal expansion in order to develop externally. This may include licensing, franchising, alliance building and acquisitions. Businesses may achieve expansion by undertaking the developments themselves this being referred to as organic growth (Clare, 2008) or by contracting other organizations to do it for them.

A survey of 100 companies carried out in the USA from 1909 to 1948 stated that few companies that have stuck to their traditional products and methods have grown in stature (Ansoff, 1954). Ansoff noted that there is no reason to believe that organizations now at the top will stay there except as they keep abreast in the race for innovation and competition. This necessitates the proactive nature for an organization to adopt an expansion strategy. Mc Cathy (1986) pointed out that a basic problem existed in understanding growth. He noted that larger devoted firms are so different from small firms that in many ways it is hard to see that they are of the same genus. In enterprise growth this metamorphosis is explained more gradually in terms of a business life cycle comprising of a number of phases or stages. These stages are then associated with generic management problems and organizational characteristics that manifest with time (Cooper, and Pamela, 1998). This shows that a business is very much an open system that needs to continuously develop a system of internal learning to adapt to an implemented strategy.

Young firms are said to have a high propensity to fail because new organizational members cannot quickly adjust to new roles and working relationships and these organizations lack a 'track record' with outside buyers and suppliers making it difficult for the organization to grow (Stacey, 1992). The validity of this phenomenon known as 'the liability of newness' has been supported in a number of studies that seek to explain the life cycle of an organization and how strategy can help them grow or expand.
Ansoff's Growth Matrix (Ansoff, 1990), shades more light on how an organizations can adopt different strategies for expansion. The model was developed by H. Igor Ansoff and it serves to set a firm thinking about the direction on which it could benefit more in embracing growth. The matrix helps the firm to answer to whether it wants to expand to new markets or target the existing market. In its simplest form, the two axes in Ansoff's growth Matrix are marked by product and market respectively as shown in Table 2.1.

Table 2.1: Ansoff's Growth Matrix

	Existing Products	New Products
Existing Markets	Market Penetration	Product Development
New Markets	Market Development	Diversification

Source: (**Ansoff, 1990**)

As shown in Table 2.1 there are four quadrants in the matrix describing a growth strategy. In the Market Penetration segment, the firm aims to sell more of its existing products in the markets they are already in. More resources are therefore allocated to sales and marketing. There is minimal risk here as the firm is dealing in a comfort zone. The great draw back in this strategy is that there is a limitation on how much the market can grow (Ansoff and McDonnell, 1990).

In the market development segment, existing products are sold to new markets. The new markets would either be geographical markets or a new target market that had not been sold to before. The firm in this segment requires spending more resources in sales and marketing to persuade the new consumers to purchase its products (Ansoff, and McDonnell, 1990).

In the product development segment, the strategy is to increase the product range as a company cannot rely on one product for its sustenance. A good example is with companies in the cosmetic sector, mobile phone communications sector, banking among others which are always coming up with new products or developing the existing ones in order to remain competitive and relevant. This is necessitated by the changing needs of the market and consumer tastes are paramount in product development.

Diversification is always seen as a high risk strategy where a firm sells entirely new products to new customers in new markets. This may have been driven to great opportunity that has been identified in a new market. It is a strategy that needs high level assessment before a decision to venture in is agreed upon. It could include related diversification where for instance chocolate manufacturing industry goes into pastry or unrelated diversification where the firm engages in a completely new venture where it has limited knowledge e.g. when Virgin Atlantic went into advertising (Scholes and Johnson, 2004).

2.4 Agency Banking Strategy

With the advent of technological advancement as has been seen in the 21^{st} century, it has become possible for several services once considered a preserve of certain providers to be incorporated and used with an ease of accessibility to many more would be channels. Such is the case with Agency banking which is intended to enable institutions provide banking services in a more cost effective and equally cheaper way to its customers. A good example is depicted in Peru where the introduction of Agency Banking increased financial services access from 5% to 14% of the unbanked population (Ivatury and Mars, 2008). In Brazil, a total of 100,000 outlets have been turned into agency banks reaching an extra thirteen million people since 1999.

Kenya seems not to have been left behind and is dominated by numerous commercial banks and a small number of non-bank financial institutions which concentrate mainly on mortgage finance, insurance, and other related financial services. Over the years the sector has grown into a complex scene of banking institutions of different types and ownership. (CBK 2010). The banks have come together under the Kenya bankers association (KBA) which serves as a lobby for the banks interests and addresses issues affecting member institutions. Banking through retail agents is a concept that is beginning to appeal to policy makers and regulators. It has the potential to extend financial services to unbanked and marginalized communities. Agent assisted banking is a relatively new concept in Kenya. What makes agent banking work are information and communication technologies which customers, retail agents and banks use to record and communicate transaction details quickly, reliably and cheaply over vast distances. For example even in rural areas many poor people have access to low cost mobile phones and prepaid airtime dealers. For banks agent banking is used to reduce the cost of delivering financial services, relieve crowds in bank branches and establish presence in new areas. (Kumar, 2006).

Chaia (2011) argues that Correspondent (or agent) banking has become one of the most promising strategies for offering financial services in emerging markets. In this model, financial institutions work with networks of existing nonbank retail outlets such as convenience stores, gas stations, and post offices to deliver financial services. This approach can be especially powerful when serving the unbanked poor because of its ability to reduce banks costs and reach low income workers where they live. Agent banking benefits a range of stakeholders. The poor gain convenient access to financial services in their own communities. Financial institutions reach a vast new customer segment. Agents increase their sales volumes and have an opportunity to develop deeper relationships with the customer. However implementing correspondent strategies can be tough. It may be hard to build networks of partners that can fulfil the correspondent role. The economics are still uncertain for players that do not offer a range of services and because the strategy is relatively new for financial service providers, it is difficult to know exactly what will work in each particular community.

The goals of agency banking as a strategy is to increase revenue from additional investments, to increase customer base and market share, to improve indirect branch productivity by reducing congestion in the branches and to offer low cost solutions in areas with potentially less number and volume of transactions. It is further intended to enhance easy financial accessibility both for the unbanked and the banked population (Ivatury and Ignacio Mars, 2008). It is said that low income earners often feel more comfortable banking at their local store than walking into a marble branch a fact that is well manipulated by Agency banking.

2.4.1 The Legal Framework on Agency Banking in Kenya

In November 2009, Kenya amended the Banking Act to include provisions on financial institutions' use of Agents to provide banking services. The amended law established 'agency' as an entity contracted by an institution and approved by The Central Bank to provide the services of the institution on behalf of the institution in such a manner as prescribed by the Central Bank. It also stipulates that banks will need to obtain annual approvals from CBK as to the overall use of agents. It is required that an agent must be a commercial entity that has operated a commercial activity for at least two years. But in all cases banks will still remain ultimately responsible and liable for the actions of their agents and for all compliance responsibilities (Harvey, 1998).

2.5 Gaps of Literature Review

Since the year 2010 when Central Bank of Kenya issued guidelines on the operations of agent banking by financial institutions little is known about the adaptation and impact by commercial banks. Most of the reviewed studies are more concerned with adoption of agency banking as competitive strategy by various firms and organizations. They are concerned with how competitive strategies impact the firms in various ways for example in terms of performance and profitability. In contrast this research will go further and analyse agent banking as an expansion strategy in KCB. The research will investigate the extent Kenya Commercial bank has adopted agent banking as an expansion strategy to enable Kenya Commercial bank effectively grow, survive the competition and retain the market niche. Specifically the study will investigate agent banking as expansion strategy in KCB in the following ways : to enlarge their market share by expanding access to banking services to the unbanked population through use of the infrastructure of non-financial retailers (Agent banking) thus saving on capital investment in infrastructure. This reflects the cost leadership strategy. If Agent banking can be instrumental in reaching the unbanked especially in remote areas of the country and by it commercial banks will have an opportunity to focus on this particular clientele hence the study will explore agent banking being utilized as a focus strategy. This research will provide an investigation of agent banking as an expansion strategy for KCB. This kind of information is vital in policy formulation to KCB and banking industry in general in identifying and understanding the external environment and expansion strategies that can be applied to ensure both superior performance and survival. A summary of literature review gaps is tabulated in appendix I.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter covers the research methodology. Section 3.2 covers the Research Design. Section 3.3 covers the Population and sample of the Study. Section 3.4 covers Data Collection. Finally section 3.5 covers Data analysis.

3.2 Research Design

The research design is the plan or strategy of shaping the research (Henn, Weinstein and Ford, 2006). A Case study will be used with independent variable being Agency banking while dependent variable being KCB. A case study is chosen because it involves an in-depth study rather than a single superficial evaluation to understand the required findings. Mugenda (2003) defined a case study as an in-depth investigation of an individual, group, institution or phenomenon. Yin (1989) said that a case study allows an investigation to retain the holistic and meaning of real life events.

3.3 Population and sample of the Study

Population is the aggregate of all that conforms to a given specification (Mugenda and Mugenda, 1999). This study will focus on KCB Kenya hence the population of the study will comprise employees of Kenya Commercial Bank working in Agency Baking Unit which has an estimated 20 employees by the time of the study. The study will concentrate on 5 Senior Managers in Agency Banking Unit which will constitute the sample.

3.4 Data Collection

The study will incorporate the use of both primary and secondary data. An interview guide will be used to gather primary data as guided by the objectives of the study. The interview guide will include structured and unstructured interview questions and will be administered through researcher interviewing at KCB. The information will be collected from a one on one discussion with the senior management team. The respondents will be the Head of Agency Banking and The Regional Agency Banking Managers. This is because they play a key role in implementing the Agency Banking expansion strategy and the challenges they face daily in their line of work are of great significance to this study.

In documentary analysis, the study will incorporate supporting documents from the bank to get more information on Agency Banking and its implementation. Staff circulars will be a good source of information and how it was carried out together with the content of the information that was carried out. This will help to strengthen the fact that there is a form of communication to KCB staff on importance of Agency Banking to KCB growth/expansion.

3.5 Data Analysis

After collection of data, the study will be checked and edited for completeness, clarity, accuracy, uniformity and consistency in preparation for analysis. The data will be further examined for comprehensibility and reliability. Qualitative content analysis will be employed as a method of examining the data material. According to Cooper and Schindler (2003) content analysis measures the semantic content or the ‘what’ aspect of a message. Being a descriptive study, descriptive statistics such as measures of central tendency and Pearson’s correlation co-efficient will be conducted. The findings and conclusion will be assessed with the aid of Statistics Package for Social Sciences (SPSS). The findings will be presented using tables, graphs, and percentages.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction

This study was guided by the objective of the study which was to establish the extent to which KCB has adopted Agency Banking as an expansion strategy. The chapter presents the analysis of the qualitative data collated with secondary data obtained from the organization's documents, circulars, newsletters, press releases and media adverts. In following the objective of this study, detailed or in-depth interviews were done with the Head of Agency Banking together with senior management in the team. The senior management in the team comprised of the Regional Agency Banking Managers in the organization.

KCB has divided the country into five regions which are the Coast Region, Central Region, Nairobi Region, Western Region and Rift Region. Each of these regions is headed by a Regional Agent Banking Manager who reports to the Head of Agency Banking. The interviews were suited according to each of the position and this was helpful in gathering detailed information.

4.2.1 Agency Banking at KCB Group Limited

The Finance Act 2009 that became operational in January 2010 amended the banking act to allow the use of third party agents by banks. This was an advantage to KCB and it set the pace for the bank to adopt Agency Banking as an expansion strategy. KCB adopted the Agency banking model in the same year in 2010 and set out to plan its implementation. A series of meetings were put in place to plan on how KCB would adapt to the new strategy. The planning had the backing of the Chief Executive who himself appointed the lead members of the planning committee.

Several factors were considered to assess the viability of the strategy such as where the strategy had been implemented before in the world and what were its success factors in the various countries. A skeleton team was formed under the Divisional Director Special Projects in KCB. This team was used to spearhead the implementation and piloting of the strategy with a number of Agents. The team divided the country into regions and selected a number of key businesses which they approached, recruited, trained and commissioned to carry out the business of Agency Banking.

Its roll out began in 2011 to aggressively register Agents to operationalize agency banking. In 2011 they targeted to register 2,000 Agents and they surpassed the target by registering 2,200 2620 Agents. In 2012 they registered 4,629 Agents against a target of 4,000. Finally in 2013 they registered 8,629 Agents against a target of 6,000 Agents. From the trend, KCB has continually been increasing its Agent numbers compared to Branch network expansion which has slowed down and this has favoured the bank's expansion/growth depicted by the numbers above. KCB in 2014 was granted authority by CBK to allow KCB Agents to open accounts being the only commercial bank granted the licence by CBK. As at September 2014, the number of accounts opened by KCB Agents was 250,000 and they target 1,000,000 accounts before the end of the year.

4.2.2 Regional distribution of Agents

KCB Kenya is divided into 5 regions, Nairobi (including North Eastern), Central, Great Rift, Western (previously Nyanza & Western province) and Coast (previously Coast province & Lower Eastern). The total number of agents registered by 2013 was 8,629. Great Rift has the highest number of agents 2,156 representing 25% of the total number of agents, followed by Western region with 1,927 registered Agents representing 22.3%. Third is Central region with 1,667 registered agents representing 19.3%. Nairobi region has the highest number of agents as at August 2014 with 1,213 agents representing a 14% of the total number of agents. Coast and Nairobi regions closes fourth and fifth with 1,593 and 1,286 agents at 18.4% and 15% respectively. The lowest numbers of agents are found in Coast and Nairobi regions considered hardship regions which are located on some parts of Northern and lower Eastern Kenya. Table 4.1 shows the summary on number of agents per region.

Table 4.1: Regional Distribution of registered Agents

REGION	FREQUENCY	PERCENTAGE
Great Rift	2,156	25%
Western	1,927	22.3%
Central	1,667	19.3%
Coast	1,593	18.4%
Nairobi	1,286	15%
Grand Total	**8,629**	**100%**

4.2.3 Duration of Agency banking

The study sought to find out for how long has the bank been offering agency banking. From the findings , 40% of the respondents who were the majority indicated that the bank have been offering agency banking for above 36 months, 20% have been offering agency banking for 24-36 months, 20% have been offering for 12-24 months, and another 20% have been offering agency banking for less than 12 months. Table 4.2 shows the duration the bank has been offering Agency banking.

Table 4.2: Duration of offering Agency Banking

DURATION OF AGENCY BANKING	FREQUENCY	PERCENTAGE
Above 36 months	2	40%
24-36 months	1	20%
12-24 months	1	20%
Less than 12 months	1	20%
Total	**5**	**100%**

4.2.4. Why Agency Banking?

From the analysis it shows that the total number of respondents was 5, maximum and minimum values were 1 and 3 for most variables. Reasons that led KCB into adopting agency banking had minimum value of 1 and maximum value of 3 (1-Tap into unbanked, 2-Increase Revenue and 3-increase market share) with a mean of 2.6 and standard deviation of 0.894. Management preparedness for agency banking had a mean of 1.6 and standard deviation of 0.894 with the minimum value of 1 and maximum value of 3(1-strongly prepared, 2-Avaragely prepared and 3-less prepared). The same scale was used to measure how staffs were prepared for the implementation of agency banking; the mean for this question was 1.4 and standard deviation of 0.548

Communication of the implementation process was measured using 3 attributes (circulars, seminar/workshops and departmental meeting) the minimum value was 1 and the maximum value was 3 (where 1-circulars, 2-workshops/seminars and 3- meetings). Table 4.3 shows descriptive statistics of adopting agency Banking.

Table 4. 3: Descriptive Statistics

Question	N	Minimum	Maximum	Mean	Std. Deviation
Reason for KCB adopting agency banking	5	1	3	2.6	0.894
MGT Preparedness on Implementation of agency banking	5	1	3	1.6	0.894
Staff Preparedness on implementation of agency banking	5	1	2	1.4	0.548
Communication of implementation	5	1	3	2.2	0.837
Was any kind of assistance required forthcoming	5	1	2	1.4	0.548
Role of training during implementation	5	1	3	1.6	0.894
Was training adequate	5	1	2	1.4	0.548
Operations policies and procedures favored	5	1	2	1.4	0.548

implementation					
Was there a plan in place to reward staff who played key role	5	1	2	1.4	0.548
Recommend what could have been done better	5	1	3	1.8	0.837

Reasons for adoption of agency banking

Table 4.4 shows 80% of the agency banking staff confirm that the KCB bank adopted agency banking to increase their market share while only 20% believed it was intended to tap into unbanked population.

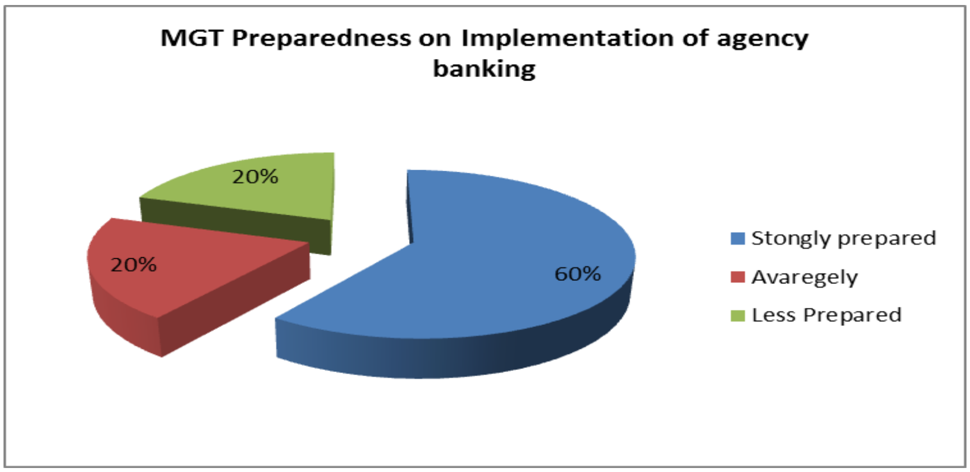
Table 4. 4: Reasons for KCB adopting agency banking

		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Tap Into unbanked Population	1	20.0	20.0	20.0
	Increase Market share	4	80.0	80.0	100.0
	Total	**5**	**100.0**	**100.0**	

Management preparedness for implementation of agency banking

On the other hand, 60% of the respondents believed that management was well prepared for the implementation of agency banking. 20% felt that the preparation was fair and another 20% felt that the management was less prepared for the implementation of the agency banking.

Figure 4. 1: Management preparedness to implementation of agency banking



Staff preparedness on implementation of agency banking

The results indicate that staffs were well prepared for the implementation of the agency banking although 40% believed that staffs were averagely prepared for the implementation of the agency banking. Table 4.5 shows the summary on staff preparedness.

Table 4. 5: Staff Preparedness on implementation of agency banking

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly prepared	3	60.0	60.0	60.0
	Averagely prepared	2	40.0	40.0	100.0
	Total	**5**	**100.0**	**100.0**	

Source:

Policies and procedures favored implementation of agency banking

The study has found out that 60% of the respondents thought that operations policies and procedures favored implementation of agency bank and only 40% thought otherwise. This therefore, would mean that policies and procedures in place favored the implementation process of the agency banking. Table 4.6 shows the summary on how policies and procedures work in favor of agency banking.

Table 4.6: Operations, policies and procedures favored implementation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	3	60.0	60.0	60.0
	no	2	40.0	40.0	100.0
	Total	**5**	**100.0**	**100.0**	

Recommendation for agency banking

Although, the bank has already implemented the agency banking, the three key areas that respondents felt should be reviewed going forward. One of them being involvement of staff members at the time of designing the product, the training aspect also featured and adequate training is critical for seamless implementation of the agency banking. Lastly the management should continuously review the technology platform of the agency banking. Table 4.7 provides summary on the recommendations.

Table 4. 7: Recommendation on what could have been done better

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid:	Staff involment in design	2	40.0	40.0	40.0
	Staff to be thoroughly trained before roll outs	2	40.0	40.0	80.0
	Adopt new technology	1	20.0	20.0	100.0
	Total	**5**	**100.0**	**100.0**	

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of the findings, conclusions reached as well as the recommendations there-of. The chapter concludes with the limitations of the study and suggestions for further studies.

5.2 Summary of Findings

The objective of the study was to establish the extent to which KCB has adopted Agency banking as expansion strategy. The results were analyzed and presented in order of the objective. The findings showed that KCB has adopted agency banking to increase its market share with 80% of the respondents agreeing with the statement and 20% of the respondents were of the opinion that Agency banking has been used by KCB to reach the unbanked population. From the discussion it is noted that KCB has adopted Agency banking in order to expand.

The findings further indicate that 40% of the respondents agree that Agency banking has been operational at KCB for more than 36 months, 20% further agree that Agency banking has been operational at KCB between 24-36 months and another 20% agreeing that agency banking has been operational at KCB between 12-18 months and lastly 20% of the respondents were of the opinion that agency banking has been operational at KCB for less than 12 months. From the discussion is noted that KCB has adopted Agency banking for more than 36 months.

In terms of regional distribution of agents 14% are currently operating Agency banking in Nairobi region with Kiambu county occupying second position at 6% and Nakuru county occupying third slot with 5 % of agents. Garissa, Wajir and Mandera occupy lower slots in Agencies banking numbers at 19, 16, and 14 numbers of Agents registered respectively. The result was that majority of Agents are situated in Urban areas to supplement banking halls operation thus increasing the market share.

The initial management structure was changed severally to include AB as a Division that could stand on its own and later as a unit under a broader division. The system was also inappropriate and needed modification in order to support implementation. There were challenges in communication and how the information was received. The study depicts a misunderstanding of the communication as portrayed by those receiving it. There were inadequacies in human resource capital as all staff needed training yet the time span had not been enough. Physical resources were limited due to the use of new technology and financial resources were strained as the initial budgets had not included AB.

The findings of this study indicate that implementation of strategy is not easy and many factors have to be in place for a smooth implementation. The study showed that the strategy implementation came with some structural changes. This did help to accommodate the new strategy in a way that it faced minimum resistance especially when a unit was created to undertake the implementation and success of the new strategy. It was noted that there was some resistance from personnel which may have been due to the organizational culture or the fear of the unknown. To overcome this, the leadership took an active role in spearheading the change and gave constant communication so that the staff was well aware of the benefits that the strategy would bring into the organization.

5.3 Conclusion

The key findings of this study were that KCB has greatly utilized Agency Banking to expand which included the government regulations through the Central Bank, this stands for the external environment, competitors who were playing a different ball game by head hunting employees or pricing their products affordably and coming up with systems that are easier to manipulate, the systems itself which brought the challenge of introducing it to the people, training and then ensuring that it was up all the time in order for it to be appreciated and recruiting and structuring the staff in order to appreciate the required benefits of implementation.

These findings support the argument that key factors such as structure, processes and organizational culture need to change in order for strategy implementation to take place successfully. It also supports the argument that the benefits of a strategic decision can only be seen when strategy is implemented. In implementing an expansion strategy planning must become paramount and not only on the strategy itself but also on other key factors such as personnel. It is seen that personnel or staff play a key role in strategy implementation and the aspect of their morale, feelings or ownership of the project should be considered in the planning stage.

Methods such as employee recognition or compensation act as motivators for performance and morale which adds to the support that staff gives to their organization. The aspect of involving employees in key decisions or in the planning stage of a strategy helps overcome challenges that would otherwise be eminent from resistance. The study also depicted that during a period of strategy implementation certain negative forces work towards hindering implementation. It is seen from the study that staff exits to other organizations either voluntary or forced is inevitable. This is due to new job profiles created while others fall away. This raises the issue of uncertainty on the personnel as they often become anxious and unwilling to participate wholly in the firms operations until their fate is known. Good and timely communication helps to mitigate this as a risk of the organization not performing to the correct standards.

KCB has faced challenges in the implementation of AB as an expansion strategy in the bank. These challenges as discussed were both internal and external to the organization therefore limiting the control within which the bank would have had over implementation. It is notable to say that although the challenges were many and diverse, the implementation took a reasonable length of time, effort and budgetary measures that the KCB has considered as a learning process. KCB is growing from the tags that had been accorded to government institutions of slowness and lack of interest to its customers, to an organization that is focused on growth, modernization and technological advancement. The ability of KCB to appreciate the need for strategy is a catalyst for appropriate expansion.

5.4 Recommendation for Policy and Practice

KCB stands to benefit a lot from the implementation of Agency Banking. The bank is set to see its customers reduce the time spent in queues in the banking halls for services that can be rendered by its agents. This will free a number of bank staff to concentrate on other key activities of the bank such as sales and customer visits thereby improving its customer service and relationship management. KCB thereby needs to develop policies that help train its agents to treat its customers with the acceptable standard of the bank and also come up with methods that audit the service quality of each agent.

There will be a remarkable reduction of the operational costs to the benefit of the bank. With the introduction Agency banking, the bank will see no need to put up in buildings that attract rent, additional staff or other operational costs. This will improve the bank's balance sheet and thereby its value of shares hence benefiting its shareholders. The bank therefore needs to develop channels that enhance a good network of its presence in areas where it is seen as uneconomical to put up branches. By establishing geographical boundaries and the maximum number of agents that can operate in a particular place, the bank will not only provide motivation to its agents but also regulate the business in a way that is acceptable to the public without the normal abrasive relationships among competitors.

The government's vision 2030 has been a catalyst to the inception and acceptance of Agency Banking. It is clear that the Agents conducting business on behalf of the banks will have to handle money that is owned by the public, they will come into the knowledge of the public's documents and bank accounts. This information needs to be regulated and policies put in place on how these operations are conducted. Information as this was generally considered confidential and will need to be treated as so even at this times when the world is becoming a global village.

Many other commercial banks and institutions will want to join in the fray of Agency banking. Regulations should be put in place by the GOK through the CBK to regularize entry into AB. Without this, many banks entering into the Kenyan market will not see the need to put up buildings but will operate through agents and the liquidation of such seen simple. The economy may suffer from such an influx of banks whose setting up does not require a large capital infrastructure. This study recommends that strict adherence to banking regulations should still be the basis for allowing Agency Banking within other FIs.

Other organizations that deal with mobile money such as Safaricom, Airtell, Orange or Tangaza and are not financial institutions but mobile service providers also need to be regulated through the Central Bank when this product is considered. This is because strict adherence to regulations some punitive as prescribed by the Central Bank give the Mobile phone service providers an easier operating ground in comparison with the banks yet the principle in operating the two products are the same. There is therefore a need to develop regulations and policies for any organization that wants to enter into the mobile money market and the same should be adhered to in order to have uniformity in the sector.

The government should also come up with supportive mechanisms to encourage such ideas that aid in attaining its vision 2030. This study recommends that strategies such as these that improve the level of technology, create employment, expand services to the remote areas and also improve the levels of education should be given tax exemptions or rebates for a number of years till the same implemented and takes root. As the government gives tax holidays to international companies and organizations that set operations in the country, the same should be used to encourage local companies that show support to government strategies in support of developmental goals.

5.5 Limitations of the Study

The approach to this study was that of a case study and therefore cannot be used for generalization. The study depicted the use of interviews which may have been prone to bias. The respondents could not give information that was considered confidential to the organization and the same cannot be used in these findings. The face to face interactions with the respondents was also limited and defined within the times when the respondents had appointments.

The findings of this study are also limited to KCB as an organization. The factors that were in operation at the time of the study would be different for any other organization at a similar or different time. This negates the possibility of any generalization for other organizations undertaking a similar strategy and therefore limits the findings to KCB.

The findings of this study are also based on the study alone and not on any other similar study that may have been carried out before. If a similar study would have to be undertaken for a different organization, the findings of this study would either be different or similar but would not be exactly equal to the other one.

5.6 Suggestions for Further Studies

There is need to undertake further studies in extent to which commercial banks in Kenya have adopted Agency Banking as expansion strategy thus banking sector as a whole. This will necessitate the understanding of the challenges as a way to help reach the population that does not use banking services due to the lack of buildings housing financial institutions. It would be important to study Agency Banking in other financial institutions as this will provide more in-depth analysis of AB as a strategy that can be used in expansion/deepening of financial institutions. It will also help to generalize key findings from cross-sectional and longitudinal findings from different studies.

Many organizations are currently looking for expansion strategies and this study can act as a catalyst to give leads in areas of interest. More studies in this area will reveal new methodology of reaching the goals of different organizations, or in coming with better ways to attain the market share penetration/ expansion for organizations. A cross sectional study should be undertaken to allow for comparison between organizations and what other expansion strategies are adopted by organizations. To understand variables and how they relate, a longitudinal study needs to be undertaken to help in collection of data over the implementation period. This will help in understanding how each variable affected not only the process and time of implementation but also how important that variable was in relation to the others.

REFERENCES

Ansoff, H. I., & McDonnel, E. (1990). *Implanting Strategic Management.* New York: Prentice-Hall.

Aosa, E. (1992). *An Empirical Investigation of aspects of strategy implementation and mplementation with large private manufacturing companies in Kenya*. (Unpublished PHD Thesis), School of Business Univsersity of Nairobi.

Bryson, J. M. (1995). *Strategic Planning for Non-profit organizations*, (Revised edition). New York: Jossy Brass.

Byars, L. L. (1991). *Strategic management Formulation and Implementation*. New York. Harper Collins Publishers.

Clare, C. (2008). *Understanding Strategic management*. London: FT Prentice Hall.

Drucker, P. F. (1998 January-February). The information executives truly need. *Harvard Business Review on Measuring Business performance*. New York. McGraw-Hill.

Gakenia, C. (2008). *Strategy Implementation by Kenya Commercial Bank Group Ltd.* Galbraith, (Unpublished MBA project), School of Business University of Nairobi.

Ignacio, M. & Hannah, S. (2008, April). CGAP; Banking through Networks of Retail Agencies. *Focus Notes No 46*. Washington, D.C.

Ivatury, G., & Mars, I. (2008). The Early Experience with Branchless Banking *Focus Notes No. 47. Consultative Group to Assist the Poor.* Washington, D.C

KCB history. Retrieved from http://www.kcbbankgroup.com: Group Profile.

Koske, F.K. (2003). *Strategy Implementation and its challenges in public corporations: The case of Telekom Kenya*. (Unpublished MBA project), School of Business University of Nairobi 59.

Kumar, A., Nair, A., Parsons, A., & Urdapilleta, E. (2008). Expanding bank outreach through Retail Partnerships: Correspondent Banking in Brazil, *World Bankworking Paper No. 85*. Washington, D.C:

Lucy, W. M. (2008). *Challenges faced in strategy implementation*. (Unpublished MBA research), School of Business University of Nairobi.

Madura, J. (2008). *Financial Markets and Institutions*. Atlantic University: India Binding

University of Lynch, R. (2002). Corporate Strategy. *Financial Times*. London: Prentice-Hall. House. 60.

Mintzberg, H., & Quinn, J.B. (1991). *The Strategy Process, Concepts, content and cases*. Pearson Education Incoporation.

Mugenda, O. M., & Mugenda, A. G. (2003). *Research Methods, Quantitative and Qualitative approach.* Nairobi: ACTS Press.

Muthuiya, F. A. (2004). *Strategy implementation and its challenges in non-profit organizations in Kenya; The case of Africa Medical and Research foundation Kenya.* (Unpublished MBA project), School of Business University of Nairobi:

Onyango, J. O. (2010). A Survey of the Credit Risk Management Practices of Commercial Banks in Kenya. (Unpublished MBA project), School of Business University of Nairobi.

Quinn, J. (1980). *Strategies for Change.* Irwin: McGraw-Hill

Scholes, K., & Johnson, G. (1987). *Exploring Corporate Strategy.* New Delhi: Prentice-Hall of India 62.

CBK Annual Reports (2013).

APPENDICES

APPENDIX i: Gaps of Previous studies that have been done locally and research gap analysis table

NAME	FOCUS OF THE STUDY	RESEARCH GAP
Gakenia. C (2008)	Strategy Implementation by KCB bank Group limited. Unpublished MBA project	Case study on all strategies implemented by KCB bank group in general. Does not give in-depth analysis on the agency banking as expansion strategy at KCB Group limited
Lilian Mwangi (2012)	Agent Banking as Diversification by Commercial Bank in Kenya Unpublished MBA project	Research study on how commercial banks in Kenya adopt agent banking to diversify their revenue streams. Emphasis is on revenue maximization and market share penetration but fail to give in depth analysis on how agency banking aids growth on each commercial bank in Kenya
Daisy Kanini Wairi (2011)	Factors Influencing Adoption of Agency Banking Innovation among	The study main focus is on the challenges of adoption of agency Banking model among

	Commercial Banks in Kenya. Unpulished MBA project	commercial banks in Kenya but fails to highlight the extent to which Agency banking model aid expansion of commercial banks in Kenya.
David Wanjagi Ndome (2011)	Adoption of Agency Banking services Among residents of Kawangware Area in Nairobi. Unpublished MBA Project.	The study investigates the extent to which Kawangware residents' embraces agency banking model of banking. It does not highlight net effect of Agency banking to respective commercial banks in Kenya growth.
Nefa Chiteli (2013)	Agent Banking Operations as Competitive Strategy Of Commercial Banks in Kisumu. Unpublished MBA projct	The study main focus is on how commercial banks in Kisumu adopt Agency banking operations to gain competitive edge but not to expand.
Omollo Doothy Achieng (2012)	Competitive Strategies applied by Bank Agents to sustain their Market Share, Case of Commercial Banks in Migori. Unpublished MBA project	Main focus is on bank agents competitive strategies to gain more market share but the study does not shade more light on the extent to which this impact to commercial banks growth.
Johnson Kamoni Wambugu	Factors Influencing the	Focus is on impediments to

(2011)	Adoption of Agency Banking in Kenya. Unpublished MBA project	Agency banking adoption in Kenya. The study fails to find out the extent to which Agency banking has been adopted by Commercial banks in Kenya to expand.
Allela Mercy Awuor (2011)	Competitive Strategies employed by Kenya Commercial Bank Group limited	Agency banking is only remotely mentioned as one of the competitive strategies employed by KCB.

APPENDIX iii: Interview Guide for the Head of Agency Banking.

1. What does Agency Banking entail?

2. What role do you play in implementing Agency Banking?

3. What would you say are some of the reasons that could lead an organization to adapt an expansion strategy?

4. How do you operationalize your strategic plans?

5. Please describe briefly how implementation plans were developed and who were involved.

6. What was the leadership's role in the implementation of AB?

7. How was the staff prepared for the implementation of Agency Banking?

8. In your own words can you say to what extent communication advanced or hindered Agency Banking?

9. Were there any barriers e.g. staff turnovers, lack of key support or lack of technical assistance experienced during the implementation? How did you overcome the barrier(s)? Please explain.

10. What role would you say training played in the implementation process? Would you say the training period was adequate?

11. Would you say that the management and staff had the required skills to oversee the implementation of AB? Please explain

12. Could you say that there were some policies and procedures that had to be changed to allow for implementation? Please explain.

13. Can you share with me how the organization structure supported or did not support the implementation? Have there been any changes on the structure since?

14. What plans (if any) were put in place to reward employees who played key roles in the implementation? How would you say this boosted their motivation?

15. Did you experience any uncontrollable factors in the external environment that adversely impacted on AB implementation? Please explain.

16. What measures were taken to mitigate these uncontrollable factors?

17. Is there a monitoring system or plan put in place for AB to ensure it is in tandem with the corporate plan?

18. What can you say did not work well to support the implementation?

19. What practices, procedures, tools, etc., would you recommend be sustained and/or scaled up? Please provide a justification for your response.

20. What recommendations do you have for future efforts such as these? Is there anything more you would like to add?

Thank you again for your time.

APPENDIX iv: Interview Guide for Regional Heads of AB.

1. What in your opinion would you say was or were reasons that led KCB into adopting Agency Banking?

2. How would you say the management prepared for the implementation of Agency Banking?

3. How sufficiently would you say the other staff prepared for the implementation of Agency Banking?

4. How was the implementation communicated to you? Could you say there was enough or lack of it that advanced or hindered the implementation?

5. Was there any kind of assistance that you were expecting and was it forthcoming during the implementation? Please explain.

6. What role would you say training played in the implementation process? Would you say the training period was adequate?

7. Would you say that operations policies and procedures favored the implementation? Please explain.

8. Would you know of any plan(s) that was (were) put in place to reward employees who played key roles in the implementation? How would you say this boosted their morale?

9. What can you say did not work well to support the implementation?

10. What practices, procedures, tools, etc., would you recommend be sustained and/or scaled up? Please provide a justification for your response.

11. What recommendations do you have for future efforts such as these? Is there anything more you would like to add?

Thank you again for your time.