ENTRY STRATEGIES ADOPTED BY KENYA COMMERCIAL BANK LIMITED IN EAST AFRICAN COMMUNITY MARKET

BY

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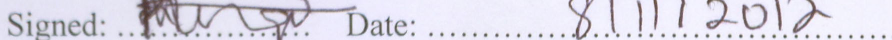
DECLARATION

This research project is my original work and has not been presented to any other University for an examination.



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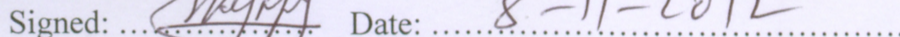
This research project has been presented with my approval as the University supervisor.



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To the almighty God for the life blessings and strength he has given me. I also appreciate my mother efforts to support me through school.

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To my classmate for their moral support. Special thanks to Kim for his undying support in this project.

DEDICATION

To my family who have ensure I have excelled in life. May the Lord almighty bless you.

To my wife and son who have braved my carping and assisted when they could.

ABSTRACT

Kenya commercial banks have shown their desire to have international presence and Kenya Commercial Bank is a classic example. Despite the concerted efforts by Kenyan firms to explore foreign markets, there seem to be little or no attention at all in literature concerning Kenyan firms seeking to expand in foreign markets. This study sought to identify the entry strategies adopted by Kenya Commercial Bank in the East African market. It used a case study research design to achieve this objective. Qualitative data was collected through interviews with 7 senior management staffs at KCB Group. The study revealed that KCB adopted Green field entry strategy where it starts operations in 100% KCB owned subsidiaries except where local laws do not allow such as in South Sudan. KCB choices were informed by available opportunities identified through market analysis. Entry strategies adopted by KCB have been successful safe for Tanzania which has been a struggle, while Sudan has been immensely successful. Timing of entry matters to KCB. The early mover advantage in South Sudan, for instance, has been beneficial to KCB. This study concluded that, although Green field strategy is expensive, KCB adopted it because it has a good financial base. In foreign expansion, firms should not be quick to duplicate their domestic marketing strategies but should be keen on customizing their strategies to resonate with the foreign markets' unique characteristics. This study recommends that firms seeking to expand in the East African region should assess various modes of entry and settle on the most appropriate based on internal organizational factors such as their capabilities as well as external factors such as business environment, economy, social and political aspects.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In today's market, growth is essential for sustaining the viability, dynamism and the value enhancing capability of any firm. This is because a growth-oriented firm is able to attract and retain the talented executives and be in a position to retain them. The main objective for any firm in the market today is to make profits and be in a position to create and maximize shareholder's wealth. Growth of the firm can be achieved by introducing new products and services to the market, improving on the already existing products and services on the market or by expanding into new markets (Ghosh and Das, 2003).

To expand into new markets, firms need to understand market entry strategies. An international market entry strategy is defined as the planning and implementation of delivering goods or services to a new target international market (Gabrielsson, Gabrielsson, and Seppälä, 2012). It often requires establishing and further managing contracts in a new foreign country. Few firms successfully operate their business in a niche market without ever planning to expand into new markets (mostly due to the localized nature of their business) but most firms strive to expand through increased sales, brand awareness and business stability by entering a new market.

1.1.1 International Business Environment

Firms go and sell international for "pull" factors, based on the attractiveness of a potential foreign market, as well as for "push" factors, which make firm's domestic market appear less attractive. Sometimes, firms develop product for international and foreign markets only. Domestic market may be too small and expanding to a foreign market maybe a viable option to exploit economies of scale. The nature of the business or product may require firms to operate internationally or in foreign markets such as airlines. Firms may seek foreign expansion in order to minimize and spread the risk, and reduce its dependence on one geographical market perhaps because of saturation of domestic market. Firms may also seek foreign markets when a product life cycle reaches its maturity stages in the domestic market, while being at earlier stages of the life cycle in less developed markets (Vasiliadis, 2009).

Since the onset of globalization, many multinational corporations (MNCs) have been increasingly opening up subsidiaries in several host nations. While the entry of MNCs in some nations has been generally unproblematic, that has not been the case in every host nation. Fears of neocolonialism, postcolonial anxieties and domination are very real phenomena in many parts of the world. When it comes to such resistant environments, MNCs need to be especially careful in how they enter into new markets (Nilanjana and Padmini, 2004).

1.1.2 Entry Strategies

A market entry strategy is the planned method of delivering goods and services to a target market and distributing them there (Hollensen, 2001). In regard to importing and exporting services, market entry strategy refers to establishing and managing contracts in a foreign country. Many firms successfully operate in a niche market without ever expanding into new markets. However, some businesses achieve increased sales, brand awareness and business stability by entering into new markets. Developing a market entry strategy is therefore important and involves a thorough analysis of potential competitors and possible customers. Some of the relevant factors that are important in deciding the viability of entry into a particular market include trade barriers, localized knowledge, price localization, competition and subsidies. Entry strategies mainly focus on two aspects; mode of entry and timing of entry (Narasimhan and Zhang, 2000; Zeithaml, 1997).

1.1.3 Kenya Banking Industry

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. To address issues that affect the Banking industry in Kenya, banks have come together and formed a forum under the Kenya Bankers Association. Kenyan Banks have realized tremendous growth in the last five years and have expanded to the east African

region. The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. There has been increased competition from local banks as well as international banks, some of which are new players in the country (PWC, 2012).

According to Central Bank of Kenya (2012), there are 43 licensed commercial banks in Kenya. Kenyan banks have shown their desire to explore foreign markets. In 2005, Kenya Commercial Bank was the first Kenyan financial institution to move into South Sudan. Kenya Commercial Bank is one of the biggest banks in Kenya by asset base and branches. Equity Bank acquired the Uganda Microfinance Union (UMU) in Uganda in 2008, and in August 2011, opened its fourth branch in South Sudan's capital Juba. Among the smaller banks, Fina Bank, an SME-focused institution, and Commercial Bank of Africa (CBA), are represented beyond Kenya's borders in Rwanda and Tanzania (Oxford Analytica, 2011). According to Central Bank of Kenya (2012), the banking sector is expected to maintain its growth momentum underpinned by increased regional presence of Kenyan banks and the adoption of innovative and cost effective methods of offering financial services.

1.1.4 Kenya Commercial Bank Limited

Kenya Commercial Bank Group, also known as KCB Group, is a financial services organization in East Africa. The Group's headquarters are located in Nairobi, Kenya, with subsidiaries in Kenya, Burundi, Rwanda, South Sudan, Tanzania and Uganda. 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 (KCB, 2012).

As of September 2011, KCB Group was the largest financial services organization in East Africa, with an estimated asset valuation in excess of US$3 billion (KES: 322 billion), and shareholders' equity in excess of US$412 million (KES: 41 billion) (Ratemo, 2011). KCB Group has the widest network of banking outlets comprising over 222 branches and over 400 automated teller machines in Kenya, Burundi, Rwanda, South Sudan, Tanzania and Uganda. In March 2011, media reports indicated that the group was pursuing expansion plans into the Democratic Republic of the Congo, Ethiopia and Zambia (Miriri, 2011).

1.2 Research Problem

Kenya's banking sector is a cutthroat business arena, with 44 players including multinationals all scrambling for a slice of the pie. Players in this sector have experienced

increased competition over the last few years resulting from increased innovations among the players and new entrants into the market. Kenya commercial banks have shown their desire to have international presence perhaps to help them sustain the fierce competition from foreign banks. A number of Kenyan banks have begun to build a regional footprint. KCB has rolled out subsidiaries in Uganda, Rwanda and Tanzania. The desire for Kenyan banks to expand into foreign markets presents new opportunities and challenges. To maximize on the opportunities and mitigate challenges in their new markets, an understanding of entry strategies into new markets is critical.

Despite the concerted efforts by Kenyan firms to explore foreign markets, there seem to be little or no attention at all in literature concerning Kenyan firms seeking to expand in foreign markets. In the banking sector, previous studies have focused on adoption of marketing strategies by commercial banks in Kenya. Mukule (2006), for instance, did a study on retail marketing strategies adopted by commercial banks in Kenya. Korir (2006) did a survey of the adoption of relationship marketing strategies in Cooperative Bank of Kenya while Oduori (2006) studied the application of customer relationship marketing strategies by commercial banks in Kenya. Gabrielsson, Gabrielsson and Seppala (2012) however did a related study on marketing strategies for foreign expansion of firms but their focus was on strategic fit and performance. They found that the fit between contextual factors and the standardization of marketing strategy has a positive effect on performance. Kenyan banks started operating across the border recently and perhaps this explains the scarce literature on the same. There is therefore a gap when it comes to the

understanding of market entry strategies adopted by Kenyan firms in foreign markets. This study sought to bridge this gap by investigating market entry strategies adopted by Kenyan banks in the East African market.

To achieve the aim, the study focused on the mode of entry and the timing of entry. The study sought to answer four research questions. These research questions include: What mode of entry has Kenya Commercial Bank adopted in the East African market? Does the timing of entry matter for Kenya Commercial Bank? What are the factors affecting mode of entry for Kenya Commercial Bank in East African market? What are the factors affecting timing of entry for Kenya Commercial Bank?

1.3 Research Objective

1. The objective of the study was to identify the entry strategies adopted by Kenya Commercial Bank in the East African market

1.4 Value of the Study

Kenyan banks who have decided to expand into foreign markets will get information on the factors that might affect their entry strategies they have adopted or that they will adopt in the future. Informed, these banks will be in a position to make better choices. Understanding foreign markets is also essential not only to the banks that have decided to expand across the border but also for the banking sector as a whole.

Kenya Commercial Bank will find the findings of this study useful as they might inform decision making in the future based on previous experience in foreign market. This study may act as an evaluation of the entry strategies that KCB has adopted in various foreign markets.

To the regulator and policy makers, this study will give valuable information on what Kenyan banks are experiencing or are about to experience in foreign markets. Such information may inform policy and decision making that could affect the banking sector.

This study will also be useful to practitioners and academicians in the field of marketing as they can use the findings as basis for further research. This will generate and improve knowledge in the marketing field.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of relevant literature. It focuses on what has been studied on mode of entry and timing of entry. It helped in informing what other scholars have unearthed concerning factors affecting mode of entry and timing of entry.

2.2 International Business Environment

Globalization, international trade, and investment, and the massive impact that these phenomena have on the world has been tremendous. The business world is becoming increasingly global. As the focus of business shifts from the domestic environment to the global, firms have to respond to the new realities. One of the "big" questions in international business (Buckley and Lessard, 2005) is the role of culture. As firms enter into new markets, they need to understand the dynamics of international business. To be competitive, firms have to be competitive in the international market by taking account of all aspects of civilizations in the regions they operate (Kienle and Loyd, 2005).

All firms face international competition, not only in foreign markets, but in domestic markets as well. Becoming internationally competitive is therefore not only an essential requirement for success, but also the best means of defense that local firms can use to counter foreign imports. Success in foreign markets contributes positively to a country's economy not only on the macro level, but on the micro level as well. Foreign markets

offer firms many additional opportunities that they cannot obtain from domestic markets. These include increased sales and opportunities, improved overall profitability. Competing in foreign markets should contribute to increasing the company's overall competitiveness by selling to diverse markets. It is also important in taking advantage of economies of scale by enlarging the sales base in order to spread fixed costs and compensating for seasonal fluctuations in domestic sales (Theodosiou, 2000).

2.3 Entry Strategies

Much of the literature on market entry has focused on the order of entry and its link to firm performance. The debate was mostly centered on whether the order of entry can result in a first - or late – mover advantage. Despite theoretical contributions (Gal-Or 1985; Lieberman and Montgomery 1988; Dutta, Lach and Rustichini 1995; Maggi, 1996) and empirical evidence (Urban, Carter, Gaskin and Mucha, 1986; Cho, Kim and Rhee, 1998; Shamsie, Phelps and Kuperman, 2004) that first movers do not always earn advantages, academic research predominantly advocates early market entry (Narasimhan and Zhang, 2000: 314).

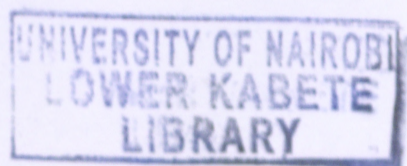
Another body of research has focused on the mode of entry with a diversification perspective (Lamont and Anderson, 1985; Busija, Neill, and Zeithaml, 1997). In this literature, the mode of entry is viewed as a stand-alone decision. One exception is Lamont and Anderson (1985) who adopted a mixed view of corporate diversification by studying the combination between internal development and acquisition. Since then, there

was no further research along this line and the literature continues to envision market entry as a stand-alone and finite decision. Nevertheless, anecdotal evidence shows that entry into a new market can hardly be reduced to, for instance, one acquisition or one alliance. Firms enter a new market by developing capabilities over time and market entry strategies imply the recourse to several modes.

2.3.1 Acquisition of Firms for Controlling Competencies

Acquisitions serve as substitute for innovations (Hitt et al., 1990) and allow firms to undertake substantial expansions of resources that might be difficult to develop internally (Karim and Mitchell, 2000). They can also allow a quick entry into a market (Biggadike, 1978; Hennart and Park, 1993). But firms that make acquisitions have to integrate acquired capabilities within the firm, which also takes time and can be hazardous (Capron, 1999). Using acquisitions to access capabilities can be costly, for reasons ranging from legal constraints to the necessity of leveraging acquired capabilities (Hennart, 1988; Kogut, 1988, 1991; Quélin, 1997; Barney, 1999). In rapidly evolving industries, this cost can be particularly high and acquisitions constrain a firm's options in a costly-to-reverse way (Barney, 1999).

Acquisitions are not exempt of moral hazard issues since the acquirer can find it difficult to assess the value of the acquired resources and may encounter a performance downturn of the acquired personnel (Chi, 1994). Another disadvantage of the acquisition mode is that it involves a high level of commitment from the acquiring firm (Roberts and Berry,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1985). Overall, there is no empirical consensus on the expected returns from acquisition (Quélin, 1997; Karim and Mitchell, 2000). Nevertheless, one can argue that reselling an acquired firm whose capabilities do not meet expectations can be a reasonable opt-out option.

2.3.2 Accessing Capabilities and Combining Resources

An alliance is another way of accessing missing capabilities or combining resources in order to create new capabilities (Prahalad and Hamel, 1990; Hamel, 1991). They are often used to access resources possessed by other firms (Ring and Van den Ven, 1992; Hamel and Prahalad, 1994).

Alliances can strengthen the capability base of a firm (Kogut, 1988; Hamel, 1991). They have been proven to be a way to access capabilities more quickly than through in-house development, to share the risk, to diminish uncertainty, and to benefit from reversibility (Balakrishnan and Wernerfelt, 1986; Hagedoorn, 1993; Parkhe, 1993). Firms can also use alliances as a way to gain an early window on emerging opportunities they may decide to commit to more fully in the future (Mitchell and Singh, 1992).

Organizing transactions through hybrid forms alleviates some of the bureaucratic and shirking costs associated with a more hierarchical mode (Williamson, 1991a). On the other hand, this mode can be less useful because adaptations cannot be made unilaterally or by fiat (Williamson, 1991a). Moreover, weak regimes of appropriability (Teece, 1986) increase the cost of hybrid contracting as compared to hierarchy (Williamson, 1991).

Reversing an alliance that does not satisfy the partners' expectations or is not aligned with the evolution of the market is a reasonable option. But one downside of alliances is that the firm is not able to fully control jointly developed capabilities. The economic rent has to be shared between partners. The success of an alliance is linked to the absorptive capacity developed over time (Cohen and Levinthal, 1990), which is itself a function of the knowledge possessed by the firm (Klavans and Deeds, 1997).

2.3.3 Transaction Cost Approach

Coase first established the foundational work for this market entry strategy in 1937. He advanced that a firm will tend to expand until the cost of organizing an extra transaction within the firm will become equal to the cost of carrying out the same transaction means of an exchange on the open market. The transaction theory suggests that a firm is likely to carry out those business activities, which it undertakes at lower cost through establishment of an internal management control and implementation system while relying on the market for activities which independent outsiders have a cost advantage. This theory assumes that all kinds of transactions involve cost. Cost of doing business in a foreign market is summarized into four types; search cost, contracting cost, monitoring cost, and enforcement cost (Hollensen, 2001).

Market transactions have been thoroughly studied in contrast to the choice of hierarchy. Transaction cost economics assumes that the market solution is more costly than the

hierarchy when exchanges are surrounded by a high level of uncertainty and specific assets are involved (Williamson, 1975).

Although market failure for knowledge-related transactions is widely documented, researchers have also highlighted that new skills can be accessed through the market (Pisano, 1990; Steensma and Fairbank, 1999; Van den Ende, 2003). Accessing external capabilities through a market transaction is quicker than through other modes. However, since knowledge remains outside the boundaries of the firm, using that mode does not allow the appropriation of new capabilities. One advantage of market transactions is the high degree of flexibility, but opportunism has been proven to be a downside of this mode (Brouthers, Brouthers and Werner, 2003).

2.4 The Timing of Entry

First entrants in a new industry possess unique capabilities. In our framework, we assume that all actors need to access new capabilities. Because high-growth potential markets tend to encourage market entry (Aaker and Day, 1986; Day and Schoemaker, 2000), other entries are very likely. Anticipating that other actors will enter the market, first-movers try to develop first-mover advantages (Lieberman and Montgomery, 1988) by reinforcing the uniqueness of their offers. One advantage of developing capabilities internally is the higher suitability of such capabilities. Accumulating imperfectly substitutable assets and hard to imitate competencies (Markides et Williamson, 1994) allows firms to strengthen their strategic advantage.

During the initial stage of a new industry, alliances are also a means to share the risk and to diminish the uncertainty (Barney, 1999). Many first-entrants are new actors lacking key complementary assets (Teece, 1986). A willingness to share the risk combined with a lack of capabilities should lead new entrants to engage in partnerships. In addition, partnerships help new actors increase their subsequent performance (Baum, Calabrese and Silverman, 2000).

The newness of an industry limits the availability of potential targets for acquisition (Robinson, Fornell and Sullivan, 1992), thus making acquisitions a limited option for firstmovers. Moreover, there should be few suppliers possessing the relevant knowledge with whom to engage into market transactions. Whatever the reasons leading to their late-move, firms in this category face specific challenges. Even if late-movers can manage to get a superior strategic advantage (Lieberman and Montgomery, 1988), they have to compete with existing offers. Indeed, an innovative offer has already been introduced onto the new market and first-movers have dedicated time and resources to building new capabilities. Consequently, the time necessary to access new capabilities within a reasonable timeframe represents a key challenge for late-movers.

Because time-compression diseconomies, asset mass efficiencies, asset interconnectedness, and causal ambiguity tend to impede a rapid accumulation of assets (Dierickx and Cool, 1989), internal development is a lengthy option. Therefore, firms being late-movers should not make internal development their primary choice.

Alliances should be considered a viable option because they accelerate the time needed to access new capabilities and allow access to missing capabilities. Contrary to first-movers for whom acquisitions are not an option, late-movers can expect the number of potential targets for acquisition to have increased. Potential acquisition targets may be new entrants having participated in the introduction of new offers but lacking the capabilities and complementary assets to further develop their advantage (Teece, 1986).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the method and procedure that the study used to achieve the set objectives. It covers the research design, population of the study, data collection and analysis procedure.

3.2 Research Design

This study used a case study research design. Case study is a form of qualitative descriptive research, which refers to the collection and presentation of detailed information about a particular entity, the "case". Case study is not sampling research, and therefore the selection of the "case" is carefully carried out, so as to maximize what can be learned from it (Kohlscheen, 2003).

According to Yin (1994), a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. Other types of research strategies, experiments and surveys have limited possibilities to deal with context, hence, the fact that case studies are suited to situations where context matters (Bahri, 2005). It may aid the researcher in getting a holistic view of a situation and a view that includes the context as well as the details. A case study is rich in details and may therefore lead to a more complete understanding of some aspect of an event or situation.

3.3 Data Collection

An interview guide was used to collect information regarding timing and mode of entry used by KCB in its expansion into foreign markets in East Africa. Interviews were booked in advance after seeking the necessary authorization from the University and KCB to carry out the study. The interviews took approximately 20 minutes each. Senior staffs at KCB who were interviewed include Chief Business Officer, International, Chief Financial Officer, Chief Operating Officer and Chief Risk Officer. These four senior management staff holds important and strategic portfolios in expansion and therefore they had the information that this study required in an effort to understand modes and timing of entry used by KCB in East African expansion.

3.4 Data Analysis

Data collected in the interviews was largely qualitative. Content analysis was used to analyze qualitative data. Responses were arranged according to running themes and comparisons made. Text was coded into manageable content categories. The process of coding was one of selective reduction, which is the central idea in content analysis. By breaking down the contents of materials into meaningful and pertinent units of information, certain characteristics of the message were analyzed and interpreted. Results were presented in prose or narrative format.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter covers data analysis, results and discussion as per the study findings. The study sought to determine the entry strategies adopted by Kenya Commercial Bank Limited into the East African Community market.

4.2 General Information

This study targeted senior management staff that held strategic portfolios that are key in making important decisions of the bank such as expansion. The study managed to secure 7 interviews with the senior managers. These managers respondent to 10 questions focusing on entry strategies and timing of entry that KCB adopted in East Africa market.

4.3 Entry Strategies Adopted by KCB in East Africa

The researcher wanted to know the entry strategies that KCB has adopted in its expansion in East Africa. Most of the respondents noted that KCB adopted Greenfield strategy as opposed to Brownfield strategy in its entry to the East Africa market. Green field strategy entails opening up own operation as opposed to acquiring existing entity (Brown field). Subsidiaries are 100% owned by KCB except where local legislation does not permit such as in South Sudan.

According to the respondents, KCB opted to open up its own branches and offer select services to specific segments in all its new markets. In Tanzania, the focus was on corporate business while in South Sudan, the focus was broader as it was pretty much a

virgin territory. KCB offered banking to the locals, both individuals and businesses, the government and government bodies, NGOs, and expatriates. As such, in each of all the markets the most suitable niches were identified and pursued to enable the business hit the ground running, and thereafter pursue broader market segments.

Asked why they chose this approach and what informed their choices, the respondents highlighted a number of reasons. First, there was potential as identified by a feasibility study carried out by the bank. The bank did a thorough market analysis and its entry therefore did not encounter surprises. The choices were therefore informed by the projected economic returns and the desire to reach out to KCB customers who were already doing businesses across East Africa market. KCB has been optimistic which led to its presence in South Sudan five years before independence while most businesses opted for a wait-and-see stance. East African Community as a market bloc provided opportunities for entry as there was trade flows. KCB seized this opportunity to register its presence in the region.

On whether the entry strategies adopted by KCB have been successful, respondents had mixed reactions but largely agreed they have been successful. However, they cited some markets that have not responded the same way with the rest of East Africa market. These include Tanzania and Burundi which is a relatively new subsidiary (four months old). The respondents said that Tanzania has been a struggle, while Sudan has been immensely successful. Rwanda and Uganda have focused on broader markets and have had better results.

Asked the extent to which the strategies have been effective, the respondents said all KCB subsidiaries in East Africa are making profits except Burundi which is a new subsidiary. They also indicated that there are opportunities for growth in the percentage proportion that these subsidiaries contribute to KCB Group revenues as a result of economic growth in countries where KCB have invested. The respondents further noted that all subsidiaries have broken even at the planned and expected time except for KCB Tanzania which took longer. As one of the respondents put it "the business in Sudan is doing very well, and was able to break even a lot faster than all the other markets, maybe because of the unique circumstances in S. Sudan". The Tanzania business was plagued by the problems that face many Kenyan businesses – rejection simply because they are Kenyan.

4.4 Factors Affecting Adoption of Entry Strategies

The respondents were requested to identify the specific factors that have affected the adoption of these entry strategies by KCB. The respondents cited the environment which is mainly economic, political and social, stakeholders opinions/alignment, the banks capability – capital adequacy, technology (T24 and Cisco), and the performance of existing businesses in the other markets as some of the specific factors affecting adoption of entry strategies. Other important factors included cultural differences and a transformational leadership. These factors have affected the adoption of entry strategies positively in almost all areas. However, KCB would have accelerated its regional

expansion more if all factors were suitable. There are some factors that hinder this expansion and perhaps could be overcome with time.

Asked what opportunities have enhanced adoption of market entry strategies for KCB, the respondents said this depended with specific markets in individual countries. South Sudan, for instance, had endless business opportunities. Other businesses were cautious to make entry because of the political uncertainties but that gave KCB the advantage of being the first in the market. Rwanda has been growing rapidly and had a lot of potential, and so were most of the other markets, in different propositions. Other than the already mentioned, respondents added that KCB got ready and available human resources in markets it entered. Capital adequacy within KCB's reach, growing economies and highly skilled human resource at KCB Group level with ability to set up new operations also enhanced adoption of entry strategies by KCB in East Africa market.

The researcher wanted to know how these opportunities have enhanced entry strategies. The respondents indicated that lessons learnt at every entry were applied in subsequent entries and breakeven duration shortens each time. Burundi subsidiary, for instance, was planned to breakeven in record 20 months.

When asked whether KCB has been able to exploit most of the opportunities in the East Africa market, the respondents said yes at different levels in different markets. They noted that the markets that KCB enters already have similar businesses and therefore KCB has to compete and competition reshapes itself every year. The respondents noted

that the driving force for this has been KCB's vision to be a leading Pan African bank. It also stems from the KCB heritage of brand, resilience, experience, market knowledge and loyal customer base.

The respondents acknowledged that challenges have been encountered in KCB adopting its market entry strategies. They include strain on bank resources, anti Kenyan sentiments in some markets, and cultural issues. The respondents noted that Green field entry strategy is expensive in set up, marketing and human resource movements at the initial stages. Goodwill hardly exists at entry and must be created through massive awareness campaigns. The processes of registration, licensing and actual entry are long and cumbersome during which period costs are incurred and no revenue earned. The bank had to have these in mind as it planned its entry. According to the respondents, KCB has been able to overcome these challenges through reliable support from board and shareholders. KCB has also staggered the growth not to strain resources, recruited locals to enhance goodwill and deal with cultural issues. KCB also has been engaged in CSR activities and other social activities in new markets to promote its presence as well as cultivating government support.

4.5 Marketing Strategies

The respondents were asked whether there is a significant difference between KCB marketing strategies in the East African market and in Kenya. They said yes but the difference cannot be termed as significant. This is because the concepts are the same but customization is applied in different markets to resonate with local markets.

The respondents noted that in the different markets the target audiences are varied, media consumption and environment differs. While striving to keep the one brand look, all campaigns are tailored or tweaked to suit the unique social cultural aspect of the market. As one respondent explained, in Tanzania, for instance, most marketing communication is done in Swahili, in Rwanda French and Kinyarwanda are used while in Uganda English and Luganda are preferred.

4.6 Timing of Entry

The researcher wanted to know whether timing of market entry matters to KCB. As respondents unanimously agreed, timing of entry matters to KCB. One respondent cited that South Sudan entry is a classic case. KCB entered when it was still Sudan and almost everyone doubted the wisdom. However, the early mover advantage has been beneficial. The respondents had reservations on entering a market during political uncertainties especially an election year. As one of the respondents puts it, there is "no need in entering a market during political upheavals or elections".

Asked what factors have affected timing of market entry for KCB, the respondents indicated political, economic, and social. The respondents noted that the less heightened political activity the better the chance for entry. In addition, positive economic outlook for medium to long term defines a good timing for entry.

The researcher wanted to know what advice respondents had for other firms seeking to expand in the East African market. The respondents said that potential exists in the

market and what firms need to do is think through the process, plan well, and they should not just duplicate Kenya strategies in other markets as they may not work always. The respondents said that firms should not just go because their competitors are moving as this may result to disastrous consequences since different firms have different capabilities and approaches in their operations at the domestic and regional market. According to the respondents, entry into foreign markets complicates firm operations but opens immense opportunities for growth.

Asked what the future prospects are for KCB in the East African market, respondents were positive and expressed great optimism. They said KCB's vision is to be the best bank in Africa, with global reach. One respondent said that "East Africa is our backyard and we must get it right, quickly. The future is bright. All our East Africa businesses are returning profits. It can only get better". This shows that KCB entry into East African market has been successful and has unearthed immense opportunities for growth.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study, conclusion and recommendations of the study as informed by the study findings. The study focused on answering research questions what mode of entry KCB has adopted in the East African market, whether the timing of entry matter for KCB, the factors affecting mode of entry and factors affecting timing of entry for KCB.

5.2 Summary of the findings

This study sought to identify the entry strategies adopted by Kenya Commercial Bank in the East African market. It used a case study research design to achieve this objective. Qualitative data was collected through interviews with 7 senior management staffs at KCB Group. Content analysis was used to analyze this data and results presented in a narrative format.

The study revealed that KCB adopted Green field entry strategy where it starts operations in 100% KCB owned subsidiaries except where local laws do not allow such as in South Sudan. KCB identified the most suitable niches and pursued them to enable the business hit the ground running. Thereafter, broader market segments were pursued. KCB choices were informed by available opportunities as indicated in a thorough market analysis.

Entry strategies adopted by KCB have been successful safe for Tanzania which has been a struggle, while Sudan has been immensely successful. Lessons learnt at every entry were applied in subsequent entries and this has led to breakeven duration shortening each time. KCB has been able to exploit most of the opportunities in the East Africa market at different levels in different markets. Challenges encountered in KCB new markets entry include strain on bank resources, anti Kenyan sentiments in some markets, and cultural issues.

Environment, economic, political and social factors some of the specific factors affecting adoption of entry strategies by KCB. Others include stakeholders opinions/alignment, the banks capability, technology (T24 and Cisco), and the performance of existing businesses in the other markets. Cultural differences and a transformational leadership are also important factors.

There is a difference between KCB marketing strategies in the East African market and in Kenya. However, the difference cannot be termed as significant because the concepts are the same but customization is applied in different markets to resonate with the local markets.

Timing of entry matters to KCB. The early mover advantage in South Sudan, for instance, has been beneficial for KCB. Political, economic, and social factors have affected timing of market entry for KCB. As an advice to firms seeking to expand in the East African market, they need to think through the process, plan well, and they should not just duplicate Kenya strategies in other markets as they may not work always.

5.3 Conclusion

KCB adopted Green field entry strategy where its operations are 100% KCB owned subsidiaries. Although this strategy is expensive, KCB adopted it because it has a good financial base. Not all Kenyan firms have the same financial muscle as KCB; therefore this strategy cannot be applicable to all firms. It is important for firms to evaluate their capabilities before choice of entry strategy.

KCB identified the most suitable niches to start with and thereafter focused on broader market segments. Firms seeking to expand in foreign markets need to have adequate information on these markets. It is therefore important to conduct a thorough market analysis to inform entry strategy.

This study has revealed that although entry strategies could be successful, they will always have challenges especially with some sections of the market. In this case, Tanzania has been seen to present the most challenges to KCB entry strategy. Firms have therefore to be prepared and flexible to learn lessons and adjust accordingly to make their expansion a success.

Some of the most critical factors that firms seeking to expand into foreign market should focus on include the business environment, economic, political, and social factors. Most of these factors are external but there are also important internal factors such as stakeholders' opinion, organizational capabilities, technology and leadership.

In foreign expansion, firms should not be quick to duplicate their domestic marketing strategies but should be keen on customizing their strategies to resonate with the foreign markets' unique characteristics. Entry into new markets also matters with timing. Firms should evaluate for the best time to enter a market and should avoid new markets characterized by political upheavals or bleak economic outlook.

5.4 Recommendations for policy and practice

This study recommends that firms seeking to expand in the East African region assess various modes of entry and settle on the most appropriate based on internal organizational factors such as their capabilities as well as external factors such as business environment, economy, social and political aspects. The timing of entry is very important and firms should avoid entering new markets during political upheavals or when economic outlook is not favourable. Political, economic, social and cultural factors affect mode and timing of entry and therefore firms need to be aware of these factors before they embark on their expansion. There are unexplored opportunities for growth in the East African market and therefore more businesses should come up to exploit these opportunities. The policy makers in the East African region should consider pushing for policies encouraging businesses across the region. The policy makers should also focus on reducing trade barriers that might discourage some firms to operate regionally.

5.5 Suggestions for future research

Further studies should focus on entry strategies used by firms in other sectors for expansion in the East African market. Future studies should look into categorizing internal and external factors affecting mode and timing of entry for firms expanding in the East African market. Scholars should also examine the role of East African Community in promoting business expansion across the region. They should assess its success or failure and recommend areas for improvement.

5.6 Limitations of the study

One of the main limitations is a methodological limitation where by this study used a case study method and therefore may not be generalized. Further research is therefore needed to include other firms to make a generalization. The study was also limited by resources in terms of time. The respondents were cooperative but busy. Given that the study used interview method to collect data, there was no time to interview a larger pool of respondents.

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APPENDICES

Appendix: Interview Guide

Introduce the interview and inform the interviewee the purpose and intentions of the study. Obtain interviewee informed consent to continue with the interview.

Confirm background information such as position held before starting the interview.

4 What entry strategies has KCB adopted in its expansion in East Africa?

....

....

....

Why and what informed their choice?

....

....

....

5 Have these strategies been effective?

....

If yes, to what extent have they been effective?

....

....

If no, why has these strategies been ineffective?

....

....

6 What are the specific factors that have affected the adoption of these strategies?

....

....

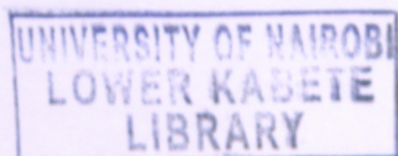
....

How have these factors affected the adoption of entry strategies? Positively or negatively?

....

....

7 What are the opportunities that have enhanced adoption of market entry strategies for KCB?


UNIVERSITY OF NAIROBI
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LIBRARY

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How have these opportunities enhanced entry strategies?

....

8 Has KCB been able to exploit most of these opportunities?

....

....

If yes, what has been the driving force?

....

....

If no, what has prevented KCB from exploiting these opportunities?

....

....

9 What are the challenges that have been encountered in adopting these market entry strategies?

....

....

....

How does each of these challenges affect entry strategies?

....

....

....

10 How did you overcome those challenges?

....

....

....

11 Is there a significant difference between your marketing strategies in the East African market and in Kenya?

....

If yes, kindly explain.

....

....

If no, why?

12 Does timing of market entry matter to KCB?

If yes, how?

If no, why?

13 What are the factors that have affected timing of market entry for KCB?

14 What would you advice other firms seeking to expand in the East African market?

15 What are the future prospects for KCB in the East African market?

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DATE 22/8/2012

TO WHOM IT MAY CONCERN

The bearer of this letter WANJIKU MICHAEL KUNGU

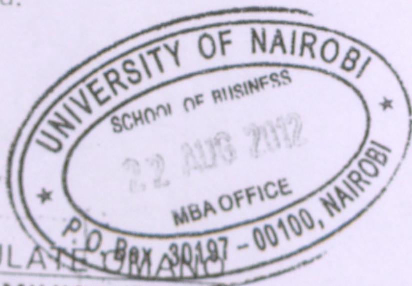
Registration No D61/73424/2009

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

APPENDICES

AUGUST 2012

TO THE RESPONDENT

Letter of Introduction

I am an MBA student at University of Nairobi and in my final year of study. As part of the requirement for graduation, I'm undertaking a research to establish the ENTRY STRATEGIES ADOPTED BY KENYA COMMERCIAL BANK LIMITED IN EAST AFRICAN COMMUNITY MARKET.

In this regard, I'm kindly requesting for your support in terms of time, and by responding to the interview questions. Your accuracy and candid response will be critical in ensuring objective research.

It will not be necessary to indicate your name and for your comfort, all information received will be treated in strict confidence. In addition, the findings of the study will sorely be used for academic research purposes and to enhance knowledge in the field of International business and marketing. If need be the research report may be presented to your organization for information and record.

Thank you for your valuable time on this.

Yours Sincerely

Michael Wanjiku Kung'u

The Supervisor

Dr. John Yabs.