

**INFLUENCE OF GLOBAL STRATEGIES ON THE
OPERATIONS OF FOREIGN MULTINATIONAL
COMMERCIAL BANKS IN KENYA**

BY

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DECLARATION

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

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

This is a special dedication to my beloved wife Isabella, daughter Cindy, sons Jayden and Graham. As a family, we have come a long way and we are still going far. I love you all and I trust that God being our guide we shall live to see more of His goodness in our lives. Thank you for your thoughtfulness, patience during the course of my studies and continuous prayers.

ABSTRACT

The purpose of the study is to determine the influence of global strategies on the operational performance of foreign multinational commercial banks in Kenya. The study explores the relationship between global strategic initiatives and the operational performance of the foreign multinational banks in Kenya. It answers the questions; What Global strategies have multinational commercial banks in Kenya adopted? What is the influence of global strategies to operational performance of the foreign multinational commercial banks in Kenya? The researcher used cross sectional study method in undertaking the qualitative study. The target population was all the foreign multinational commercial banks in Kenya that operate in more than three (3) countries. Owing to the nature of the study only the senior and middle level management staff were target respondents. The study had a sample size of 32 respondents with a 65.6% response rate. A self-administered structured questionnaire was used and analysed using regression analysis, descriptive and inferential statistics and with the help of the Statistical Package for Social Sciences (SPSS). The study will be significant to scholars in the field of Global strategy, Government and regulatory bodies and the multinational banks operating in Kenya. The study found out that global strategies like product innovations and call centre services were adopted to a very high extent while niche marketing, mobile banking, mergers and acquisitions and online banking to a high extent. The study recommends that multinational commercial banks in Kenya should focus on product and service innovations strategies to improve their operations and competitive advantage. Further studies on the extent to which global strategies have impacted customer growth in the multinational banks are recommended.

TABLE OF CONTENTS

DECLARATION	ii
ACKNOWLEDGEMENTS	iii
DEDICATION	iv
ABSTRACT	v
TABLE OF CONTENTS	vi
ABBREVIATIONS AND ACRONYMS	ix
LIST OF TABLES	x
LIST OF FIGURES	xi
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background.....	1
1.1.1 Global Strategy	3
1.1.2 Operational Performance	5
1.1.3 Global Strategy and Operational Performance	6
1.1.4 Banking Sector in Kenya	7
1.1.5 Multinational Commercial Banks in Kenya	8
1.2 Research Problem	9
1.3 Research Objectives.....	11
1.4 Value of the Study	12
CHAPTER TWO	14
LITERATURE REVIEW	14
2.1 Introduction.....	14
2.2 The Theory of Global Strategies.....	14
2.2.1 The Internationalization Theory	14
2.2.2 The IO-based theory	15
2.2.3 Resource Based Theory	17
2.2.4 Dynamic Capability Theory.....	18
2.3 The Concept of Globalisation	19
2.4 Global Strategy	20
2.5 Interplay of Global Strategies with Environmental Variables	21

2.5.1 Global Efficiency and the Environment	22
2.5.2 Multinational Flexibility and the Environment.....	23
2.5.3 Worldwide Learning and the Environment.....	24
2.6 Operational Performance	25
2.7 Empirical studies and Research gaps	25
CHAPTER THREE	27
RESEARCH METHODOLOGY	27
3.1. Introduction.....	27
3.2 Research design	27
3.3 Population of the study	28
3.4 Sampling	28
3.5 Data Collection	29
3.6 Data Analysis	29
CHAPTER FOUR.....	31
DATA ANALYSIS, RESULTS AND DISCUSSIONS	31
4.1 Introduction.....	31
4.2 Response Rate.....	31
4.3 Number of Years Worked in the Firm	32
4.4 Global Business Strategies Adopted.....	33
4.5 Influence of Global Strategies on the Banks Operations	34
4.6 Global efficiency.....	35
4.7 Multinational flexibility	37
4.8 Worldwide learning	39
4.9 Dependence (on the Kenyan institutional environment)	40
4.10 Multiplicity (on the Kenyan institutional environment)	42
4.11 Regression Analysis.....	44
CHAPTER FIVE	47
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	47
5.1 Introduction.....	47
5.2 Conclusion	47
5.3 Recommendations.....	49

5.4 Limitations of the Study.....	50
5.5 Suggestions for further studies.....	51
REFERENCES	52
APPENDICES	58
Appendix I: Letter of Introduction.....	58
Appendix II: Research Questionnaire.....	59
Appendix III: Foreign Owned Multinational Commercial Banks	66
Appendix IV: Project Work Plan.....	67
Appendix V: Project Budget.....	68

ABBREVIATIONS AND ACRONYMS

ANOVA:	Analysis of Variance
ATMs:	Automatic Teller Machines
CBK:	Central Bank Of Kenya
ICT:	Information and Communication Technology
IO:	Industrial Organisation
MBA:	Master of Business Administration
MNCs:	Multinational Corporations
MNE:	Multinational Enterprise
RBV:	Resource-based View
SPSS:	Statistical Package for Social Sciences

LIST OF TABLES

Table 4.1: Global Business Strategies Adopted.....	33
Table 4.2: Influence of Global Strategies on the Banks Operations	34
Table 4.3: Global efficiency.....	36
Table 4. 4: Multinational flexibility.....	38
Table 4.5: Worldwide learning	40
Table 4.6: Dependence (on the Kenyan institutional environment)	41
Table 4.7: Multiplicity (On the Kenyan institutional environment)	43
Table 4. 8: Model Summary	44
Table 4.9: Analysis of Variance (ANOVA).....	45
Table 4.10: Coefficients.....	46

LIST OF FIGURES

Figure 4.1: Response Rate	32
Figure 4. 2: Number of Years Worked in the Firm	32

CHAPTER ONE

INTRODUCTION

1.1 Background

In an era of globalisation, managers, consultants, and researchers have all recognized that the study of industries, strategies, and organizations in a global context needs to be regarded as the norm. It has been argued that success or failure of a business in the twenty-first century will depend on whether it can compete effectively in world markets (Inkpen and Ramaswamy, 2005; Smith, Walter and DeLong, 2012).

Global strategy, hereby defined as the way a business competes in the global market, plays a vital role in determining the performance of a business in the global market. By conceiving a global strategy, management articulates a response to the interdependent nature of global markets, where competition is no longer on a market-by-market basis (multidomestic). According to Bartlett, and Ghoshal, (2007) global strategy must not only incorporate broad, strategic direction but also specify how activities such as sourcing, research and development, manufacturing, and marketing must be co-ordinated worldwide. Because marketing assumes the role of interacting directly with the customers and competitors in the marketplace, marketing strategy is probably the most important component of a firm's global strategy.

This study is based upon the Internationalisation Theory (IT), Industrial Organization (IO) and the Resource Based View (RBV), and the Dynamic Capability (DC) theoretical perspectives.

The Internationalisation theory is founded on the basic idea that the exploitation of firms' knowledge-based assets across national boundaries is often most efficiently undertaken internally within the hierarchical structure of the multinational enterprise (MNE). The theory has its origins in the work of Coase (1937), who sought to explain the existence of the firm as an institution, and why it came to supersede the market.

The IO-based theory of strategy is best captured in the "principle of co-alignment" (or contingency or consistency), which states that the "fit" between a business's strategy and its environment has significant implications for performance (Armstrong and Porter, 2007). The general requirement of co-alignment between environment and strategy is understood implicitly rather than explicitly in the literature, however, because it is a direct corollary of the dominant SCP paradigm (Pepall, Richards and Norman, 2005).

According to Lockett, Thompson and Morgenstern (2009), the resource-based theory is grounded on two fundamental assumptions in analysing sources of competitive advantage and business strategy. First, firms within an industry or a strategic group may be heterogeneous with respect to the strategic resources they control. Second, since these resources may not be perfectly mobile across firms, heterogeneity can be long lasting. In the resource-based models, competitive advantage is said to reside in the inherent heterogeneity of the immobile strategic resources which business controls. Strategy is viewed as a firm's conscious move to capitalize on its idiosyncratic endowment of strategic resources (Lavie, 2006).

The concept of dynamic capabilities (Eisenhardt and Martin, 2000; Teece *et al.*, 1997) has evolved from the resource-based view (RBV) of the firm (Barney, 1986, 1991; Wernerfelt, 1984). RBV proponents argue that simultaneously valuable, rare, inimitable and non-substitutable resources can be a source of superior performance, and may enable the firm to achieve sustained competitive advantage (Barney, 1991).

1.1.1 Global Strategy

The globalization of business activities and the term global strategy emerged in the early 1980s. Global business scholars and practitioners argue that global businesses are the ones that are to learn to operate and operate as if the world were one large market – ignoring superficial regional and national differences (Svensson, 2004; Walters, Bhattacharjya, and Chapman, 2011). In addition, argues that the companies that do not adapt to the new global realities will become victims of those that do.

There are four groups of variables that propel companies towards globalization, namely the categories of market, competition, cost, and government. They are sometimes referred to as the four major globalization drivers (Johnson, Arya and Mirchandani, 2012). The market drivers consist of homogeneous needs, global customers, global channels, and transferable marketing. The cost drivers are categorized as economies of scale and scope, learning and experience, sourcing efficiencies, favourable logistics, differences in country costs and skills, and product development costs. The government drivers are classified as favourable trade policies, compatible technical standards, and common marketing regulations. Finally, the competitive drivers consist of the interdependence between countries and the competitors that globalize or might globalize (Wijen, Zoeteman and Pieters, 2011).

Primary consideration in focussing specifically on the cross border activities of banks emanated from the sheer size of their international activities throughout the world. For example, a cursory examination of foreign assets as a percentage of total assets of the thirty largest banks reveals that they increased from 35 percent in 1980 to over 38 percent by 2003 (De Nicolo, et al, 2004). Moreover, the absolute size of the foreign assets of these same banks increased eleven-fold from \$650 billion in 1990 to over \$7, 571 billion in 2000 (Slager, 2005). Prior to the credit crunch, the global banking sector was estimated to have had a market value in excess of \$65,700 billion in 2005 (Datamonitor, 2006).

This unparalleled growth in the international activities of banks can be traced back to a range of environmental and regulatory changes (Focarelli and Pozzolo, 2001). Deregulatory measures that created level playing fields also resulted in a fundamental shift in the nature of competition in financial markets (Slager, 2005). As a consequence, banks began to adopt “market seeker” strategies and expand their cross border activities (Roberts and Armander, 2001; Alvarez-Gil, et al, 2003). Unprecedented developments in communication infrastructures, particularly; dependence on information technology and the internet also provided an unprecedented opportunity for banks to become global (Grosse, 2004).

All aspects of business activities point towards globalization, following the new world political and economic order (Scherer and Palazzo, 2011). Though the Kenyan economy has been predominantly domestic the world has come and upset the erstwhile peaceful markets where Kenyans dealt in a great degree of certainty.

A glance at various policy papers reveals that Kenya has prepared its economy for the international market in order to achieve sustainable growth (Steglich, Keskin, Hall and Dijkman, 2009). An important aspect in business is making and/or receiving payments; and even obtaining the necessary financing. This is more challenging in international business where one may never see the customer/supplier due to the great distances involved. Banks, being custodians and mobilizers of funds are consequently central players in the globalization strategy (Kisia, 2006).

1.1.2 Operational Performance

All business organizations are concerned with how they will survive and prosper in the future. A business strategy is often thought of as a plan or set of intentions that will set the long-term direction of the actions that are needed to ensure future organizational success. However, no matter how grand the plan, or how noble the intention, an organization's strategy can only become a meaningful reality, in practice, if it is operationally enacted. An organization's operations are strategically important precisely because most organizational activity comprises the day-to-day activities within the operations function. It is the myriad of daily actions of operations, when considered in their totality that constitute the organization's long-term strategic direction. The relationship between an organization's strategy and its operations is a key determinant of its ability to achieve long-term success or even survival.

According to Slack et al. (2004) there are five operations performance objectives, namely (1) Cost; the ability to produce at low cost, (2) Quality; the ability to produce in accordance with specification and without error. (3) Speed; the ability to do things quickly in response to customer demands and thereby offer short lead times between when a customer orders a product or service and when they receive it. (4) Dependability; the ability to deliver products and services in accordance with promises made to customers. (5) Flexibility: The ability to change operations.

1.1.3 Global Strategy and Operational Performance

Global strategy as defined in business terms is an organization's strategic guide to globalization. A sound global strategy should address these questions: what must be (versus what is) the extent of market presence in the world's major markets? How to build the necessary global presence? The globalization of business activities and the term global strategy emerged in the early 1980s. Global business scholars and practitioners argue that global businesses are the ones that are to learn to operate and operate as if the world were one large market – ignoring superficial regional and national differences (Svensson, 2004; Walters, Bhattacharjya, and Chapman, 2011). In addition, argues that the companies that do not adapt to the new global realities will become victims of those that do.

According to the business directory operational performance is the firm's performance measured against standard or prescribed indicators of effectiveness, efficiency, and environmental responsibility such as, cycle time, productivity, waste reduction, and regulatory compliance.

Strategy in a business organization is essentially about how the organization seeks to survive and prosper within its environment over the long-term. The decisions and actions taken within its operations have a direct impact on the basis on which an organization is able to do this. The way in which an organization secures, deploys and utilizes its resources will determine the extent to which it can successfully pursue specific performance objectives

1.1.4 Banking Sector in Kenya

According to The Central Bank Annual Supervision, report (2012), as at 31st December 2012, the banking sector consisted of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company -MFC). Out of the 44 banking institutions, 31 locally owned banks comprise 3 with public shareholding and 28 privately owned while 13 are foreign owned. The foreign owned Banks comprise of 9 locally incorporated foreign banks and 4 branches of foreign incorporated banks. The banking sector is vibrant and plays a key role in the Kenyan and global economy (CBK, 2013). The sector has embraced changes occurring in Information Technology with most banks having already achieved branchless banking as a result of the adoption of communications options. According to The Central Bank Annual Supervision report (2010), the increased utilization of modern information and communications technology has for example led to several banks acquiring ATMs as part of their branchless development strategy measures. The Central Bank notes that advancement in Information and Communications Technology (ICT) in the banking industry has enhanced efficiency and improved customer service.

The past five years have seen rapid growth in the operations of banks in Kenya especially in the move to establish units in the East African region. This is in spite of the much proclaimed economic crunch that hit most western banking and other financial institutions. The period has seen banks such as Equity Bank and Kenya Commercial Bank move to Tanzania, Uganda, Southern Sudan and Rwanda (Asubwa, 2011). The trend has brought to an end the assumption that banks were meant for the upper classes in society. The inclusion of low income earners in the banks has been seen as the main stimulant to the rapid expansion of banks in Kenya like Equity Bank Ltd.

The banking sector is poised for significant expansion, product and market development that should result in further consolidation of the banking sector. According to Porter, M, (1986) recent decades have seen radical transformations within the banking sectors of most industrialised countries. These transformations have also spread to the non-industrialized countries or the developing countries including Kenya. Most of these transformations have been necessitated by the changes in the environment.

1.1.5 Multinational Commercial Banks in Kenya

According to Investopedia, a multinational corporation is a business entity that has its facilities and other assets in at least one country other than its home country. Such companies have offices in different countries and usually have a centralized head office where they coordinate global Management. There are 9 foreign multinational banks in Kenya with operations in more than three countries which have adopted global strategies.

The world in general is undergoing many changes and as a result, banks have been forced to respond to such change so as to remain in business. In the context of these changes, this project explored the implications of globalisation in the banking sector in Kenya with specific reference to the influence of global strategies on the operational performance of the 9 foreign multinational commercial banks in Kenya.

1.2 Research Problem

As noted by Grant, (2010) the rapidly changing business operating environment makes the concept of global business strategy a fertile ground of research interest for practitioners and scholars. The concept of global strategy in Kenya is gaining popularity with firms exporting and importing strategies. As noted by Mosbacher, (2010) and Kisia, (2006) banks are a fundamental player in global business. In Kenya a number of global strategies have been adopted by the multinational banks to be able to undertake global business transactions effectively and compete with other global brands. The increase in demand from customers for quality service, the need for innovation and technology advancements and the ever increasing stakeholder expectations require a strategic thought process in order for the banks to survive in a competitive environment like the one we have in Kenya. These begs the need for global strategies. These global strategies and their impact on the bank's operational performance is a subject area where there is a void in the Kenyan context as there are interesting development occurring with passage of time and which need probing and understanding.

The study is at the core of any global strategy as all business activities involve use of financial services. The Kenyan banking industry is not isolated to the globalisation and has been in the forefront of globalisation. Globalisation in the Kenyan banking sector has two facets. One is where foreign based banks put up subsidiaries in Kenya and the second where indigenous Kenyan banks are expanding across the Kenyan borders. Appendix 111 lists the foreign multinational commercial banks that have adopted global strategies.

Majority of the available studies (McCauley et al., 2002; Rhee and Mehra, 2006) on global strategies have looked at the nature of these global strategies. These studies have also been conducted in the foreign countries context. There are a number of local studies available on global banking strategies. Kisia (2006) did an analysis of factors affecting the provision of services by banks in international business with a case study of National Bank of Kenya and establishing that nature of international trade are some of the factors that affect customer and customer perception regarding banking services. Nyakundi (2010) found that Kenya Commercial Bank's major strategies revolved around the entry mode, expansion and operation strategies as it expands its horizons to the international markets. Nyakundi found that the strategies adopted included market penetration, product development and wholly owned subsidiaries. Asubwa (2011) study found that Equity Bank has employed acquisitions, start-ups and joint ventures strategies in its international expansion.

This study takes a different approach by studying the relationship between various global strategic initiatives like leveraging on global efficiencies, multinational flexibility, worldwide learning, mergers and acquisitions, product innovation, niche marketing, online banking and mobile banking and their influence on operational performance of foreign multinational banks in Kenya.

The study seeks to answer the research question: How have global strategies adopted by foreign multinational commercial banks in Kenya influenced their operations? What Global strategies have multinational commercial banks in Kenya adopted? What is the influence of global strategies to operational performance of the foreign multinational commercial banks in Kenya? In answering this question, the study paid particular reference to the 9 foreign multinational banks in Kenya.

1.3 Research Objectives

The main objective of the study was to determine how global strategies adopted by foreign multinational commercial banks in Kenya influence their operational performance.

1.4 Value of the Study

The study was useful to various stakeholders in the academia, policy makers and banking industry.

The study is important to scholars interested in the subject of Global strategies and banking operations. It contributes to the theory of Global strategy. The study provides a local basis of either agreeing with the scholars of the theories like the internationalisation theory, dynamic capability theory, industrial organisation theory or the resource based theory. It also introduces completely new perspectives thereby laying the foundation for future studies in this subject.

Secondly the study becomes useful to policy makers and government agencies such as the Central Bank of Kenya whose mandate is to promote and maintain the safety, soundness and integrity of the banking system through the implementation of policies and standards that are in line with international best practice for banking supervision and regulation. There is need for the regulator to understand the emerging dynamics in the increasingly global market to be able to design and implement appropriate regulations. The study will thus provide information on some of the emerging global strategies and the impact of this on operational performance of the banks.

Lastly, the banks already having global and regional presence and operating in Kenya can benefit from the findings. It will also benefit local Banks that may be considering expanding to the region and eventually become global. The study will be beneficial to the banking industry and the sector managers in providing various indicators of the impact of global strategies on the operational performance of the banks in regard to efficiency, quality of service, dependability, flexibility and innovation. The study makes recommendations on ways in which the managers can leverage on global strategies that have a high impact on operational performance of the banks leading to better services, increased efficiency and improved performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature available on global strategies adopted in the financial institutions. The review is based on past studies by various scholars and researchers. This study is based upon the Internationalization, Industrial Organization, resource based and the dynamic capability theoretical perspectives.

2.2 The Theory of Global Strategies

This study employed the internationalization theory, the resource based theory and the dynamic capability theory in an effort to understand how global strategies adopted by foreign multinational commercial banks in Kenya influence their operational performance. Internalization theory has long provided one of the main theoretical rationales for the existence of the multinational enterprise. On the other hand the dynamic capability theory has been defined as the capacity to renew competencies so as to achieve congruence with the changing business environment by adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competencies” (Teece *et al.*, 1997, p. 515). More recently, Helfat *et al.* (2007, p. 1)

2.2.1 The Internationalization Theory

It is founded on the basic idea that the exploitation of firms’ knowledge-based assets across national boundaries is often most efficiently undertaken internally within the hierarchical structure of the multinational enterprise (MNE). The theory has its origins in the work of Coase (1937), who sought to explain the existence of the firm as an institution, and why it came to supersede the market.

His answer, in short, was that there were transaction costs in effecting exchanges through the market, and that the firm would emerge if the costs of organizing these exchanges within a firm were lower. Internalization theory (Buckley and Casson, 1976; Hennart, 1982; Hymer, 1968; McManus, 1972; Rugman, 1981) extends these arguments to the MNE, and emphasizes the relative costs and benefits of coordinating economic activities across national boundaries internally by the management of a firm rather than externally through the market.

2.2.2 The IO-based theory

Barney (1991) identified two underlying assumptions in the IO-based theory of strategy. First, firms within an industry or a strategic group are identical in terms of the strategic resources they control (Weber, 2009). Second, if resource heterogeneity should develop in an industry or a strategic group, perhaps through new entry, this heterogeneity would be very short-lived because the resources which firms use to implement their strategies are highly mobile (Armstrong and Porter, 2007). These two assumptions in effect treat the firm as an abstract economic entity and often as a black box, not as a social institution with an economic purpose. Thus, the external environment imposes requirements to which a business must adapt (Swedberg, 2009), and the role of internal organizational factors in making strategic choices becomes far less relevant.

In the IO-based model, competitive advantage is viewed as a position of superior performance that a business attains through offering undifferentiated products at low prices or offering differentiated products for which customers are willing to pay a price premium (Armstrong and Porter, 2007). Strategy is conceived as a firm's deliberate response to the industry/market imperatives, while competitive advantage can be sustained by business strategy, such as erecting barriers to entry; seeking the benefits of economies of scale, experience or learning curve effects, product differentiation, and capital investments; and raising buyer switching costs. Businesses which adapt successfully to these pressures through formulating and implementing a strategy will survive and prosper, whereas those which fail to adapt are doomed to failure.

By stressing the importance of external factors, the IO approach has significantly enriched the environmental dimensions influential model of corporate strategy. It suggests that firms obtain sustained competitive advantages by implementing strategies which exploit their internal strengths through responding to environmental opportunities, while neutralizing external threats and avoiding internal weaknesses (Barca, 2003; Mitchell, Wooliscroft and Higham, 2010). Nevertheless, most researchers consider industry structure the main determinant of a firm's competitive strategy, as best exemplified by Porter's (1980) "five-force" model, and little attention has been given to idiosyncratic internal organizational characteristics (Krishnamurthy, 2010).

2.2.3 Resource Based Theory

According to Lockett, Thompson and Morgenstern (2009), the resource-based theory is grounded on two fundamental assumptions in analysing sources of competitive advantage and business strategy. First, firms within an industry or a strategic group may be heterogeneous with respect to the strategic resources they control. Second, since these resources may not be perfectly mobile across firms, heterogeneity can be long lasting.

In the resource-based models, competitive advantage is said to reside in the inherent heterogeneity of the immobile strategic resources which business controls. Strategy is viewed as a firm's conscious move to capitalize on its idiosyncratic endowment of strategic resources (Lavie, 2006). Following this logic, the principal drivers of competitive strategy and performance are internal to the business, a view in sharp contrast to the IO-based theory. While the resource-based theory recognizes firms' physical resources as the important drivers of strategy and performance, it places particular emphasis on the intangible skills and resources of the business as the main driver of competitive choice (Peng and Pleggenkuhle-Miles, 2009).

The resource-based theory sees above-normal returns as the firm's ultimate goal (Barca, 2003). Obtaining such returns requires either that the firm's product be distinctive in the eyes of buyers in comparison to competing products or that the firm sell a product identical to that of competitors at a lower cost (Armstrong and Porter, 2007).

2.2.4 Dynamic Capability Theory

The concept of dynamic capabilities (Eisenhardt and Martin, 2000; Teece *et al.*, 1997) has evolved from the resource-based view (RBV) of the firm (Barney, 1986, 1991; Wernerfelt, 1984). RBV proponents argue that simultaneously valuable, rare, inimitable and non-substitutable resources can be a source of superior performance, and may enable the firm to achieve sustained competitive advantage (Barney, 1991). Dynamic capabilities have lent value to the RBV arguments as they transform what is essentially a static view into one that can encompass competitive advantage in a dynamic context (Barney, 2001).

Dynamic capabilities are “the capacity of an organization to purposefully create, extend or modify its resource base” (Helfat *et al.*, 2007, p. 1) and over the last few years the concept has received much attention in the form of publications (Eisenhardt and Martin, 2000; Helfat and Peteraf, 2003; Teece *et al.*, 1997; Zollo and Winter, 2002) and conference presentations (Academy of Management meeting 2004-2006; Strategic Management conference 2004-2006).

While some see dynamic capabilities as the key to competitive advantage (Teece *et al.*, 1997), others seem to doubt that there is actually such a thing. The term ‘dynamic’ refers to capacity to renew competences so as to adapt to the changing business environment (Teece *et al.*, 1997). The term ‘capabilities’ emphasises the key role of strategic management in appropriately adapting, integrating and reconfiguring internal and external organisational skills, resources and functional competences to match the requirements of a changing environment.

The dynamic capability approach focuses attention on the firm's ability to renew its resources in line with changes in its environment. Dynamic capabilities refer to the firm's ability to alter the resource base by creating, integrating, recombining and releasing resources (Eisenhardt & Martin, 2000). Collis (1994) is particularly explicit when making the point that dynamic capabilities govern the rate of change of ordinary capabilities. Teece et al. (1997, p 516) give another definition: 'Dynamic capabilities are the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments'. The dynamic capabilities approach is not merely an inward-looking view of the organisation and its strategy. Its central focus is on the degree of 'fit' over time between an organisation's changing external environment and its changing portfolio of activities and capabilities (Porter, 1996).

2.3 The Concept of Globalisation

"Successful businesses of the future will treat the entire world as their domain in terms of meeting their supply and demand requirements. In such a globalised market, the domestic company will not be sustainably competitive. Globalisation is not a new concept but there are relatively new factors that have contributed to recent prominence, such as the opening of new markets for South African businesses and new communication and transport technology, resulting in major expansion of international trade and investment" (Daniels et al 2001).

Internationalisation is measured in terms of exports, imports, cross boarder investment flows, international alliances and partnerships with foreign firms, protectionism, and export/import diversification. (Daniels et al, 2001), notes that according to a recent research on the retail financial services sector, the importance of globalisation for South African's financial institution over the next 5 years is on the increase.

As a result in South Africa there is emergence of cross boarder banking in the wake of the total lifting of South African's foreign exchange controls. In Kenya today there is emergence of cross boarder banking with the total lifting of foreign exchange controls in the late 1990's and also increased international business and social travels.

2.4 Global Strategy

According to Shaker (2010), global strategy, must take into account all the company's markets and operations together, viewing them within an integrated framework. Increasingly this framework includes co-operation with other firms.

Zou and Cavusgil, (2002) argues forcefully that advances in communication and transportation technologies and increased worldwide travel have homogenized world markets. Increasingly, consumers in different parts of the world tend to demand the same products and have the same preferences. In this new era, the strategic imperative for businesses competing globally is to achieve the economies of scale which the global market affords. Thus, multinational corporations which treat individual country markets separately are likely to disappear and be replaced by global corporations which sell standardized products the same way everywhere in the world. A major source of competitive advantage has become the ability to produce high-quality products at lowest cost, since global consumers will sacrifice their idiosyncratic preferences for the high-quality but low-priced products.

Porter (1986) recognizes the interdependency among various country markets and contends that a global strategy has two basic dimensions: configuration of value-adding activities and co-ordination of the activities across markets. He maintains that the strategic imperative in global markets is to concentrate value-added activities to exploit factor cost differentials and extend competitive advantages by co-ordinating interdependencies among markets. Hence, success demands achieving integration of the firm's competitive position across markets.

In contrast, Yeniyurt, et al., (2005) emphasize the importance of being responsive to local market conditions. They view the strategic imperative as the efficient global use of good marketing ideas rather than standardization, and an organization structure which encourages transfer of information. They believe global operations should be tailored to maximize efficiency in concept development and effectiveness in local market delivery. That is, a business must "think global" but "act local".

2.5 Interplay of Global Strategies with Environmental Variables

At the outset, we recognize the tensions inherent in the portfolio of global strategic motives - global efficiency, multinational flexibility, and worldwide learning. Although a focus on global efficiency makes it feasible for firms to attain scale economies in production and marketing, it also impairs the ability of managers of MNCs to meet the distinct needs of country markets (Bartlett & Ghoshal 1995). This trend has brought to the forefront issues pertaining to a learning orientation and culture (i.e., assimilate, integrate, synthesize, disseminate, and use learning on a global scale), as well as the unique imperatives of global coordination and control systems that facilitate this learning.

Against the backdrop of these tensions, we offer conjectures about the interplay of the three strategic motives and the environment in shaping MNC subsidiary performance judgments

2.5.1 Global Efficiency and the Environment

Global efficiency captures an MNC's objective of benefiting from scale economies in product design, development, production, and marketing (Prahalad & Doz, 1987), and achieving global efficiency requires MNCs to find the means to enhance their revenues or reduce costs (Bartlett & Ghoshal, 1995).

To increase revenues, MNCs maintain strong portfolios of brands, develop powerful distribution systems, and attempt to gain access to key strategic markets. In turn, they reduce costs by exploiting national differences in factor costs, pursuing scale economies, and benefiting from shared investments across markets and businesses. Standardization, however, is not always desirable or feasible (Jain, 1989).

Either the environments across countries are so distinct that products do not function the same way in different countries (e.g. poor roads in developing countries make high-speed automobiles practically useless), or consumers have distinct and idiosyncratic needs (e.g. cows are viewed as holy animals in India, thereby diminishing the potential market for beef and related products). Thus, though global efficiency can be beneficial for MNCs on a global basis, not all subsidiaries benefit from the standardization approach.

Although high levels of dynamism offer greater contingencies for organizations, they also create difficulties in planning, coordinating, and implementing marketing plans and strategies (Dwyer & Welsh, 1985).

Dynamism makes the local market difficult to manage, so trying to follow a standardized strategy in dynamic conditions should have an adverse influence on performance magnitude. Because dynamic environments create greater uncertainty, MNCs pursuing global efficiency likely recognize their poorer performance; in turn, a standardized approach is unlikely to be beneficial in dynamic conditions. Thus, managers should have a greater degree of conviction in their performance judgments.

2.5.2 Multinational Flexibility and the Environment

A multinational flexibility strategy captures an MNC's focus on responding strategically to and benefiting from diversity in country environments (Bartlett & Ghoshal, 1991). With its emphasis on economies of scale and a tailored communication and marketing mix, multinational flexibility enables firms to satisfy the idiosyncratic demands of country markets. In most situations, this ability should be beneficial for the MNC subsidiary, unless the costs (including opportunity costs) involved in building flexible resources outweigh the gains

Because a MNC that emphasizes multinational flexibility strives to derive benefits from localization, the influence of multinational flexibility on subsidiary performance should increase in munificent markets. As Buckley and Casson (1998, p. 23) notes an emphasis on flexibility also enhances the organization's "ability to reallocate resources quickly and smoothly in response to change." In other words, an emphasis on multinational flexibility should enable MNCs to manage munificent environments effectively and consistently; as a result, managers should have a high degree of conviction in their performance judgments, or low performance judgment uncertainty.

2.5.3 Worldwide Learning and the Environment

In the MNC context, worldwide learning represents an MNC's attempt to learn from diversity in environments and managerial systems across countries (Ghoshal, 1987). Effective worldwide learning mechanisms support a balance between centralization and decentralization such that close coordination across subsidiary operations coexists with open lines of communication and frequent transfers of know-how, along with sufficient subsidiary autonomy (Bartlett & Ghoshal, 1995, Hauser et al., 2006).

The coordination of subsidiary operations enhances an MNC's ability to derive advantages from knowledge accumulated across organizational components in different markets and businesses, as well as its capability to integrate the acquired knowledge into its daily operations.

Munificent markets may not benefit from worldwide learning, because the focus on close coordination and control of an MNC's global operations, along with processes for accumulation, assimilation, and use of knowledge on a global scale, might impede the MNC's versatility in developing and implementing marketing strategies at the local level, which, in turn, may impair subsidiary performance.

Dynamism creates difficulties for accumulating information and formulating strategic plans, which implies a clash with worldwide learning motives to the extent that it is difficult for managers in dynamic environments to specify what lessons from other markets apply to their own market. Thus we expect that an emphasis on worldwide learning in dynamic markets should adversely influence performance magnitude. Moreover, managers are acutely aware of the shortfalls of worldwide learning in dynamic country environments, which should make them certain of their subsidiary's suboptimal performance.

2.6 Operational Performance

The subject of the measurement, evaluation and conceptualisation of operational performance in a company is a recurrent theme in the different areas of the academic literature. One of the first general classifications, and one that has been widely used, is that of Venkatraman and Ramanujam (1986). They adopt a strategic management perspective and focus on the measurement to establish a division between financial and operational performance, with the emphasis on the latter. In addition, Kaplan and Norton (1992) believe that the traditional measurements of financial performance are no longer valid for today's business demands. Therefore, they consider that operational measurements of management are needed when dealing with customer satisfaction, internal processes and activities directed at improvement and innovation in the organisation, which lead to future financial returns.

2.7 Empirical studies and Research gaps

Majority of the available studies (McCauley et al., 2002; Rhee and Mehra, 2006) on global strategies have looked at the nature of these global strategies. Okola (2013) sought to determine the global strategies and the organization models that had been adopted by the Listed Kenyan MNEs, and also to find out whether there was a fit between the organization models and the global strategies that they had adopted (global strategy-structural fit). There are a number of local studies available on global banking strategies. Kisia (2006) did an analysis of factors affecting the provision of services by banks in international business with a case study of National Bank of Kenya and establishing that nature of international trade are some of the factors that affect customer and customer perception regarding banking services. Nyakundi (2010) found that Kenya Commercial Bank's major strategies revolved around the entry mode, expansion and operation strategies as it expands its horizons to the international markets.

Nyakundi found that the strategies adopted included market penetration, product development and wholly owned subsidiaries. Asubwa (2011) study found that Equity Bank has employed acquisitions, start-ups and joint ventures strategies in its international expansion.

This study takes a different approach by studying the relationship between various global strategic initiatives like leveraging on global efficiencies, multinational flexibility, worldwide learning, mergers and acquisitions, product innovation, niche marketing, online banking and mobile banking and their influence on operational performance of foreign multinational banks in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This section discusses the methodology that was used in acquiring and synthesizing the study data. The elements discussed are; research design, target population, sample and sampling technique, research instruments, validity, reliability, data collection procedures and techniques.

3.2 Research design

The study used a qualitative survey approach. Qualitative studies are tools used in understanding and describing the world of human experience. The researcher used cross sectional study method. Mugenda and Mugenda (2003) noted that a survey research attempts to collect data from members of a population and describes existing phenomena by asking individuals about their perception, attitudes, behaviour or values. Surveys enable collection of data from a sizeable population in a highly economical way.

The data obtained can be standardized, to allow easy comparison. Moreover, it explores the existing status of two or more variables at a given point in time. This research enhances a systematic description regarding the global strategies adopted by foreign multinational commercial banks in Kenya.

3.3 Population of the study

The study population consists of nine (9) foreign multinational commercial banks operating in Kenya which have adopted global strategies either through importing or exporting. The target population was all the foreign multinational commercial banks in Kenya that operate in more than three (3) countries. Nine (9) banks in Kenya fall under this category and were the focus of the Census study.

The employees were the respondents and they fell into three categories namely; senior management, middle level management and support staff. Owing to the nature of the study only the management staff were target respondents.

3.4 Sampling

According to The Central Bank Annual Supervision report (2012), as at 31st December 2012, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions - 43 commercial banks and 1 mortgage finance company. The banking sector is vibrant and plays a key role in the Kenyan and global economy (CBK, 2010). This study focused on all the foreign banks in Kenya operating in more than 3 countries, according to the central bank report (CBK, 2012) they are only 9 such banks and this constituted the Census Study.

This study used purposive stratified sampling method. Purposive sampling according to Saunders et al., (2007) allows the investigator to rely on his/her expert judgement to select units that are representative or typical of the population. In this study a total of 32 respondents were selected from the senior and middle management drawn from each of the 9 banks.

3.5 Data Collection

The research study utilised primary data. Primary data obtained directly from the respondents. The research instrument used in the study were questionnaires. The questionnaires were addressed to the senior and middle level management in banks. The research questionnaires sought information on the global strategies adopted by these banks.

The researcher sought a permit from the relevant University authorities to allow data collection. The researcher with the help of research assistants visited the banks and self-administered the questionnaires to the respondents after booking appointments. This method of data collection is a rich source of data. The method was preferred because of its potential to elicit information and also for bringing out the voices of the respondents.

3.6 Data Analysis

During data collection, the researcher with the help of research assistants kept notes of the analytical insights that occurred during data collection, which formed a basis for data analysis. Based on the themes developed, patterns were sought to assist in data analysis. The field notes will assisted the researcher to classify topics and themes. Once the data was organised according to various classifications, the researcher described, elaborated and worked with the data around each of the major topical themes.

The data gathered from the questionnaires was analysed using regression analysis, descriptive and inferential statistics and with the help of the Statistical Package for Social Sciences (SPSS).

Regression Analysis is a statistical technique for estimating the relationships among variables. It includes many techniques for modelling and analysing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables.

These has been presented using charts to give a clear picture of the research findings at a glance, thus applying descriptive statistics.

According to Investopedia, descriptive statistics is a set of brief descriptive coefficients that summarizes a given data set, which can either be a representation of the entire population or a sample. The measures used to describe the data set are measures of central tendency and measures of variability or dispersion.

Measures of central tendency include the mean, median and mode, while measures of variability include the standard deviation (or variance), the minimum and maximum variables, kurtosis and skewness.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

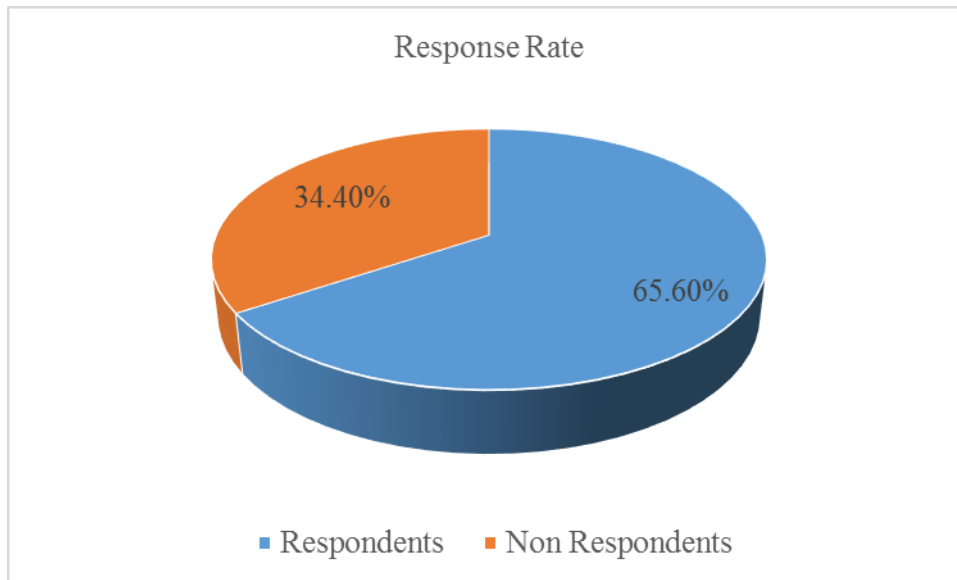
This chapter presents the analysis and findings of the study as set out in the research methodology. The research data was gathered exclusively through questionnaires as the primary research instrument. The questionnaires were designed in line with the research objectives of the study.

4.2 Response Rate

The study had a sample size of 32 respondents in collecting data, 21 out of the 32 target respondents filled in and returned the questionnaire resulting in a 65.6% response rate. This is shown in Figure 4.1 and this response rate was considered acceptable. This is an acceptable rate for data analysis and reporting because it is more than 50% of the responses.

The response was within the recommended threshold of 70 percent. According to Mugenda and Mugenda (2008), a response rate of 70 percent is acceptable as representative of the sampled population. Babbie (2004) also claims that a response rate of 50% is considered adequate, that which is at 60% as good and 70% as very good also supports this opinion.

Figure 4.1 Response Rate

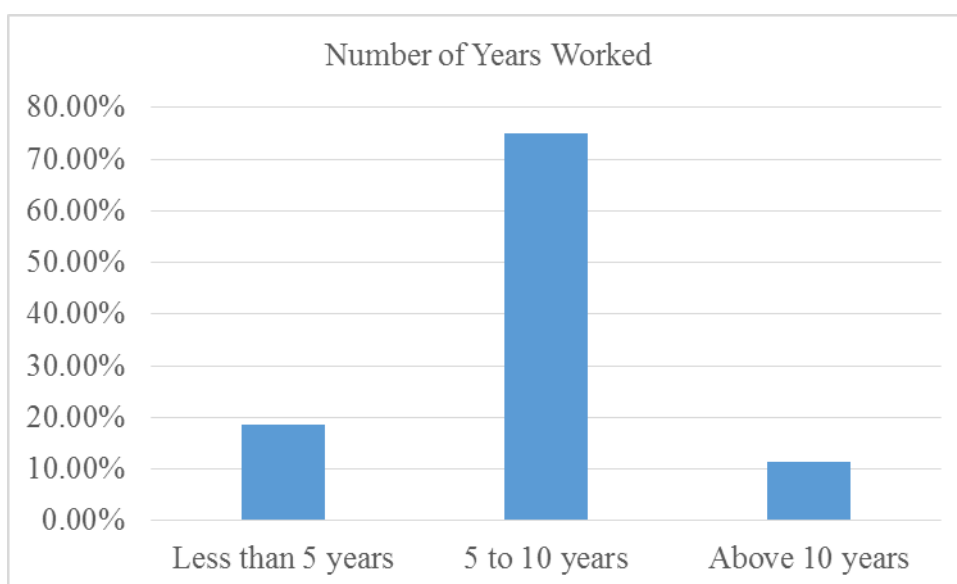


Source: Author (2015)

4.3 Number of Years Worked in the Firm

The study sought to determine the number of years that the respondents had worked in the banks. The results are shown in Figure 4.2

Figure 4. 2 Number of Years Worked in the Firm



Source: Author (2015).

The findings indicate that 18.5% of the respondents had worked in the banks for less than five years, 75% had worked in the banks for between 5 and 10 years while 11.5% had worked in the banks for more than 10 years. This indicates that the majority of the respondents had worked in the banks long enough to understand the inner workings of the banks and how their global strategies influence their operations.

4.4 Global Business Strategies Adopted

The study sought to determine the global business strategies adopted by the multinational banks in Kenya. The results are shown in Table 4.1

Table 4.1 Global Business Strategies Adopted

Global Strategies	Very High	High Extent	Moderate	Low Extent	Very Little	Mean	Standard Deviation
Mergers and Acquisition	6	8	7			2.0476	0.80475
Product Innovation	12	9				1.4286	0.50709
Niche Marketing	10	10	1			1.5714	0.59761
Online Banking	2	14	3	2		2.2381	0.76842
Mobile Banking	5	15	1			1.8095	0.51177
Call Centre Services	12	9				1.4286	0.50709

Source: Author (2015)

The findings indicate that banks had adopted product innovations and call Centre services to a very high extent as shown by means of 1.4286 and 1.4286 respectively while they have adopted niche marketing, mobile banking, mergers and acquisitions and online banking to a high extent as shown by means of 1.5714, 1.8095, 2.0476 and 2.2381 respectively. This indicates that product innovations and call Centre services were adopted to a very high extent while niche marketing, mobile banking, mergers and acquisitions and online banking to a high extent.

4.5 Influence of Global Strategies on the Banks Operations

The study also sought to determine how the global strategies affect and influence the multinational banks operations. The results are shown in Table 4.2

Table 4.2 Influence of Global Strategies on the Banks Operations

Measure of dependency on the Kenyan institutional environment.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
Our Kenyan subsidiary operations are highly dependent on the institutional constituents.		4	9	7	1	3.281	0.83095
Success of our business rests on favourable Kenyan national and County government policies		6	7	5	3	3.281	1.04426
The success of our business in Kenya depends on the institutional constituents		9	5	6	1	2.9524	0.97346
Keeping our Kenyan institutional constituents a critical objective.		6	7	7	1	3.1429	0.91026
Institutional players play a key role in our industry		11	10			1.4762	0.51177

Source: Author (2015)

The findings indicate that online banking, the adoption of technology and mobile banking have influenced the operations of the banks to a very high extent as shown by means of 1.2381, 1.4762 and 1.5238 respectively.

The findings also indicate that innovation strategies, call center services and mergers and acquisitions have influenced the banks operations to a high extent as shown by means of 1.6667, 1.7143 and 1.7619. This indicates that online banking, the adoption of technology and mobile banking have influenced the operations of the banks to a very high extent while innovation strategies, call center services and mergers and acquisitions have influenced the banks operations to a high extent.

4.6 Global efficiency

The study also sought to determine the influence of the banks strategies on their global efficiency. The results are shown in Table 4.3

Table 4.3 Global efficiency

Measure of Global Efficiency	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
Our World-wide Strategy emphasizes extracting benefits from differences in wages across countries.	6	8	7			3.0476	0.80475
We emphasize economies of scale	9	6	6			2.8571	0.85356
We seek to exploit economies of scale in providing banking services	6	10	5			2.9524	0.74001
We typically share investments and costs across countries	7	7	7			3	0.83666
We seek to derive benefits from variation in costs of capital across countries	4	8	6	3		3.381	0.97346
We regularly share investments and costs across business	7	10	3	1		2.9048	0.83095

Source: Author (2015)

The findings indicate that the respondents were neutral that the banks emphasize economies of scale in distribution and marketing, the banks regularly share investments and costs across businesses, seek to exploit potential economies of scale in providing banking services, typically share investments and costs across countries, their worldwide strategy emphasizes extracting benefits from differences in wages across countries and they seek to derive benefits from variation in costs of capital across countries as shown by means of 2.8571, 2.9048, 2.9524, 3.0000, 3.0476 and 3.3810 respectively. This indicates that the banks global efficiency in terms of economies of scale in distribution and marketing, sharing investments and costs across businesses, exploiting potential scale economies, sharing investments and costs across countries, emphasize on extracting benefits from differences in wages across countries and seeking to derive benefits from variation in costs of capital across countries was average.

4.7 Multinational flexibility

The study also sought to determine the multinational flexibility of the multinational banks in Kenya. The results are shown in Table 4.4

Table 4. 4 Multinational flexibility

Measure of Multinational Flexibility	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Standard Deviation
We seek to derive benefits from diversity in environments across countries.		7	5	8	1	3.1429	0.96362
Our global strategy reflects high levels of flexibility in managing political risks arising because of differences between nations		11	9	1		2.5238	0.60159
Our worldwide strategy emphasizes versatility in allocating human capital.		12	9			2.4286	0.50709
We seek high levels of flexibility in allocating key resources		5	13	5		3.0952	0.80475
Our world-wide strategies exploits the opportunities arising because of the variability in the environment across countries		5	11	4	1	3.0476	0.97346

Source: Author (2015)

The findings indicate that the respondents agreed that their banks worldwide strategy emphasizes versatility in allocating human capital and their global strategy reflects high levels of flexibility in managing political risks arising because of differences between nations 2.4286 and 2.5238 respectively while they were neutral that their banks worldwide strategy exploits opportunities arising because of the variability in the environment across countries, their bank seeks high levels of flexibility in allocating key resources and their bank seeks to derive benefits from diversity in environments across countries as shown by means of 3.0476, 3.0952 and 3.1429 respectively. This indicates that the banks worldwide strategy emphasizes versatility in allocating human capital and their global strategy reflects high levels of flexibility in managing political risks arising because of differences between nations.

4.8 Worldwide learning

The study also sought to determine the worldwide learning strategy and how it affects the banks operations. The results are shown in Table 4.5.

The findings indicate that the respondents were neutral that the banks put emphasis on learning from differences in managerial systems across countries, they stress shared learning across subsidiaries, they stress learning from differences in organizational processes across subsidiaries and they share innovations in products and organizational processes across subsidiaries as shown by means of 2.6667, 3.0476, 3.3333 and 3.4762 respectively while they disagreed that the banks emphasize shared learning across organizational components in different businesses as shown by a mean of 3.5714. This indicates that the banks did not emphasize on shared learning across organizational components in different businesses.

Table 4.5 Worldwide learning

Measure of world-wide learning	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
We stress learning from differences in organizational processes across subsidiaries		3	11	4	3	3.3333	0.91287
We emphasize shared learning across organizational components in different businesses		4	3	12	2	3.5714	0.92582
We share innovations in products and organisational processes across subsidiaries		5	4	9	3	3.4762	1.03049
We put emphasis on learning from differences in managerial systems across the countries		11	7	2	1	2.6667	0.85365
We stress shared learnings across subsidiaries		7	7	6	1	3.0476	0.92066

Source: Author (2015)

4.9 Dependence (on the Kenyan institutional environment)

The study also sought to determine the dependence of the banks on the local environment and how it affects the banks operations. The results are shown in Table 4.6.

Table 4.6 Dependence (on the Kenyan institutional environment)

Measure of dependency on the Kenyan institutional environment.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
Our Kenyan subsidiary operations are highly dependent on the institutional constituents.		4	9	7	1	3.281	0.83095
Success of our business rests on favourable Kenyan national and County government policies		6	7	5	3	3.281	1.04426
The success of our business in Kenya depends on the institutional constituents		9	5	6	1	2.9524	0.97346
Keeping our Kenyan institutional constituents a critical objective.		6	7	7	1	3.1429	0.91026
Institutional players play a key role in our industry		11	10			1.4762	0.51177

Source: Author (2015)

The findings indicate that the respondents strongly agreed that Institutional members play an important role in our industry as shown by a means of 1.4762 while they were neutral that the success of their business in the Kenya depends on the institutional constituents.

Keeping their Kenyan institutional constituents happy is a critical objective, Success of their business rests on favourable Kenyan national, County, and municipal government policies and their Kenyan subsidiary operations are highly dependent on the institutional constituents as shown by means of 2.9524, 3.1429, 3.2381 and 3.2381 respectively. This indicates the banks dependence of the Kenyan institutional environment rested mainly on their institutional members while the influence of Kenyan institutional constituents, national, County, and municipal government policies were minor to their operations.

4.10 Multiplicity (on the Kenyan institutional environment)

The study also sought to determine the multiplicity of the banks on the local environment and how it affects the banks operations. The results are shown in Table 4.7

The findings indicate that the respondents strongly agreed that substantial numbers of institutional constituents monitor our Kenyan subsidiary operations and the institutional constituents frequently monitor our Kenyan subsidiary operations 1.2381 and 1.5238 respectively while they agreed that Number of institutional constituents making demands of our subsidiary operations exceeds those in the other industries, There are many institutional constituents that make demands on our Kenyan operations and Sometimes the demand made by one institutional constituent contradicts the demand made by another institutional member as shown by means of 1.6667, 1.7143 and 1.7619 respectively. This indicates that the banks operations are constantly monitored by institutional constituents and that sometimes the demands made by one institutional constituent on the Kenyan operations contradicts the demand made by another institutional member.

Table 4.7 Multiplicity (On the Kenyan institutional environment)

Measure of multiplicity on the Kenyan institutional environment.	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	Standard Deviation
Sometimes the demand made by one institutional constituent Contradicts the demand made by another institutional member	7	12	2			1.7619	0.62488
Number of institutional constituents making demands of our subsidiary exceeds those in other industries	7	14				1.6667	0.48305
Substantial number of Institutional constituents monitor our Kenyan subsidiary operations.	16	5				1.2381	0.43644
The institutional constituents frequently monitor our Kenyan subsidiaries operations	10	11				1.5238	0.51177
There are many institutional constituents that make demands on our Kenyan operations	6	15				1.7143	0.46291

Source: Author (2015)

4.11 Regression Analysis

Table 4. 8 Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.819 ^a	.671	.530	.39598

a. Predictors: (Constant), Call Centre Services, Mergers and Acquisitions, Mobile banking, Niche Marketing, Product innovations, Online Banking

This table provides the R , R^2 , adjusted R^2 , and the standard error of the estimate, which can be used to determine how well a regression model fits the data. The "**R**" column represents the value of R , the *multiple correlation coefficient*. R can be considered to be one measure of the quality of the prediction of the dependent variable; in this case, Banks Operations. A value of 0.819, in this example, indicates a good level of prediction. The "**R Square**" column represents the R^2 value (also called the coefficient of determination), which is the proportion of variance in the dependent variable that can be explained by the independent variables. You can see from our value of 0.671 that our independent variables explain 67.1% of the variability of our dependent variable, Banks Operations.

Table 4.9 Analysis of Variance (ANOVA)

ANOVA^b

Model		Sum	of df	Mean Square	F	Sig.
		Squares				
1	Regression	4.471	6	.745	4.753	.008 ^a
	Residual	2.195	14	.157		
	Total	6.667	20			

a. Predictors: (Constant), Call Centre Services, Mergers and Acquisitions, Mobile banking, Niche Marketing, Product innovations, Online Banking

b. Dependent Variable: To what extent would you say the banks strategies have influenced its operations

The *F*-ratio in the **ANOVA** table tests whether the overall regression model is a good fit for the data. The table shows that the independent variables statistically significantly predict the dependent variable, $F(6, 14) = 4.753, p < .0005$ (i.e., the regression model is a good fit of the data).

Table 4.10 Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.461	0.482		-0.956	0.355
	Mergers and Acquisitions	0.035	0.122	0.049	0.291	0.775
	Product	0.291	0.246	0.255	1.18	0.258
	Niche Marketing	0.153	0.177	0.158	0.866	0.401
	Online Banking	0.297	0.179	0.395	1.659	0.119
	Mobile banking	0.039	0.2	0.035	0.196	0.847
	Call Centre Services	0.232	0.26	0.204	0.892	0.388
a. Dependent Variable: To what extent would you say the banks strategies have influenced its operations						

The general form of the equation to predict banks operations from Mergers and Acquisitions Product innovations, Niche Marketing, Online Banking, Mobile banking and Call Centre Services is:

$$\text{Predicted Banks Operations} = -0.461 + (0.035 + \text{Mergers and Acquisitions}) + (0.291 + \text{Product innovations}) + (0.153 + \text{Niche Marketing}) + (0.297 + \text{Online Banking}) + (0.039 + \text{Mobile banking}) + (0.232 + \text{Call Centre Services})$$

Unstandardized coefficients indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and it gives the conclusions and recommendations of the study.

5.2 Conclusion

On the global business strategies adopted, the study found out that product innovations and Call Centre services were adopted to a very high extent while niche marketing, mobile banking, mergers and acquisitions and online banking to a high extent. The influence of global strategies on the banks operations, online banking, the adoption of technology and mobile banking have impacted the operations of the banks to a very high extent while innovation strategies, call center services and mergers and acquisitions influenced the banks operations to a high extent.

These findings are in agreement with Ghoshal (1987) who indicated that subsidiaries of an MNC should focus on innovation, and develop products and processes that can be transferred to other subsidiaries.

The banks global efficiency in terms of economies of scale in distribution and marketing, , exploiting potential economies of scale sharing investments and costs across countries, emphasize on extracting benefits from differences in wages across countries and seeking to derive benefits from variation in costs of capital across countries was average.

This is in line with studies that found out that an MNC's global efficiency strategy emphasizes performance based on the worldwide integration of operations across subsidiaries and host-country markets (Kobrin, 1991), exploitation of differences in wages across countries, and scale economies in distribution and marketing (Bartlett & Ghoshal, 1995).

Multinational flexibility in the banks was mainly in emphasizing versatility in allocating human capital and their global strategy reflects high levels of flexibility in managing political risks arising because of differences between nations. This is in agreement with Lee and Makhija (2008) who indicates that MNCs focus on developing capabilities to respond effectively to host-country-specific environmental shocks and fluctuations, as well as exploit anticipated opportunities by shifting resources across markets.

Worldwide learning was minimal in the banks where the banks did not emphasize on shared learning across organizational components in different businesses. This is in disagreement with Andersson et al., (2005) and Yamin, Tsai, and Holm (2011) who postulated that a worldwide learning strategy focuses on acquiring knowledge from subsidiaries in foreign markets, and using that knowledge across subsidiaries to gain a global competitive advantage.

The banks dependence on the Kenyan institutional environment rested mainly on their institutional members while the influence of Kenyan institutional constituents, national, County, and municipal government policies were minor to their operations.

This is in agreement with Park and Mezias (2005) who noted that in alliances between firms, the value of an external partner diminishes with greater environmental munificence, because firms no longer need to rely on their partners to generate demand. However Leonidou et al., (2006) also noted that as uncertainty increases, on one hand, friction and conflict increase between inter-firm partners, which harms their relationship.

On multiplicity the banks operations are constantly monitored by institutional constituents and that sometimes the demands made by one institutional constituent on the Kenyan operations contradicts the demand made by another institutional member. This is in agreement with Jobs and Carr (2006) who indicate that as environmental munificence increases, cooperation between a firm and its domestic channel partner increases (Dwyer & Oh, 1987), which enhances channel commitment (Kim, 1999). However, in alliances between firms, the value of an external partner diminishes with greater environmental munificence, because firms no longer need to rely on their partners to generate demand (Park & Mezias, 2005); this reduction in partner value should reduce channel commitment.

5.3 Recommendations

The multinational commercial banks in Kenya should focus on product and service innovations such as product innovations, niche marketing, online banking, mobile banking and call centre services strategies to improve their operations and competitive advantage.

The multinational banks in Kenya when making trade-offs among global strategies they should consider not just their internal subsidiary network, but also their extended channel partner links which function in foreign markets.

The global efficiency strategy should be flexible in a dynamic environment. The banks should adopt an active global learning strategy to adapt to the changing dynamism of customers' demands and their focus should be on focus on learning from the changing conditions and acquiring knowledge to develop internal competences, such as new products or processes.

5.4 Limitations of the Study

Time was a limiting factor because the researcher is both a student and an employee thus having limited time to commit to the study. Not all respondents were committal to the questions asked especially on some sensitive issues, which for one reason or another they were not willing to disclose some information.

The respondents were drawn from the management of the local subsidiaries of the bank, they play a key role in implementation of the strategies and are consulted minimally whenever the parent MNC bank is rolling out new strategies, this would be a potential reason for biased judgement by the management in responding to the study especially where they do not agree with the global strategies being rolled out in the local subsidiaries.

5.5 Suggestions for further studies

Whereas the study revealed correlations between the global strategies and the operational performance of the banks, it did not cover the extent to which these strategies have impacted customer growth in the banks. This aspect can be explored in future studies.

Due to the nature of the census study undertaken and the focus on foreign multinational banks, the local multinational banks were not in the target population. It would be beneficial to undertake a similar study targeting local multinational banks in Kenya.

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APPENDICES

Appendix I: Letter of Introduction

June 2015

Dear Respondent

REF: REQUEST FOR RESEARCH DATA

I am a Master of Business Administration (MBA) student at the University of Nairobi. I am required to submit as part of my course work assessment a research report on “influence of global strategies on operations of global commercial banks”. To achieve this, your business is one of those selected for the study. I kindly request you to fill the attached questionnaire to generate data required for this study. This information will be used purely for academic purpose and your name will not be mentioned in the report. Findings of the study upon request shall be availed to you.

Your assistance and cooperation will be highly appreciated.

Thank you in advance.

Jimmy Masinde

MBA Student – Researcher

Nairobi

John Yabs

Supervisor

University of Nairobi

Appendix II: Research Questionnaire

General Information

1. Bank Name: _____
2. Number of Customers _____
3. Number of Branches _____
4. Number of Subsidiaries _____
5. Number of years Operating in Parent Country _____
6. For how long have you been working in the bank?
Less than 5 years [] 5-10 Years [] Above 10 Years []

Global Business Strategies Adopted

1. To what extent would you say the bank has adopted global strategies listed in the table?

1=Very Little Extent, 2=Low Extent, 3= Moderate Extent, 4=High Extent, 5= Very High Extent

	1	2	3	4	5
Mergers and Acquisitions					
Product innovations					
Niche Marketing					
Online Banking					
Mobile banking					
Call Centre Services					

Other.....

Influence of Global Strategies on the Banks Operations

2. To what extent do the following global strategies influence your organizations operations (tick – where 1 is little Extent and 5 Very High Extent)

	1	2	3	4	5
To what extent would you say adoption of technology has influenced bank’s operations					
To what extent would you say mergers and acquisitions have influenced your Bank’s operations					
To what extent would you say innovation strategies have influenced bank’s operations					
To what extent would you say online banking has influenced your Bank’s operations					
To what extent would you say mobile banking has influenced your Bank’s operations					
To what extent would you say call center services has influenced your Bank’s operations					

Global Efficiency (Aspects of your organization's worldwide strategy)

3. To what extent do you agree with the following statements regarding your organisations global efficiency in the Kenyan context? 1 – Strongly disagree, 2 – Disagree, 3 – Neither agree or disagree, 4 – Agree and 5 – Strongly agree

	1	2	3	4	5
Our worldwide strategy emphasizes extracting benefits from differences in wages across countries.					
We emphasize economies of scale in distribution and marketing.					
We seek to exploit potential scale economies in providing banking services					
We typically share investments and costs across countries.					
We seek to derive benefits from variation in costs of capital across countries.					
We regularly share investments and costs across businesses.					

Multinational flexibility (Aspects of your organization's worldwide strategy)

4 To what extent do you agree with the following statements regarding your organizations

Multinational flexibility in the Kenyan context?

1 – Strongly disagree, 2– Disagree, 3 – Neither agree or disagree, 4 – Agree and 5 –

Strongly agree

	1	2	3	4	5
We seek to derive benefits from diversity in environments across countries.					
Our global strategy reflects high levels of flexibility in managing political risks arising because of differences between nations.					
Our worldwide strategy emphasizes versatility in allocating human capital,					
We seek high levels of flexibility in allocating key resources.					
Our worldwide strategy exploits opportunities arising because of the variability in the environment across countries.					

Worldwide learning (Aspects of your organization's worldwide strategy)

5. To what extent do you agree with the following statements regarding your organizations worldwide learning in the Kenyan context?

1 – Strongly disagree, 2 – Disagree, 3 – Neither agree or disagree, 4 – Agree and 5 – Strongly agree

	1	2	3	4	5
We stress learning from differences in organizational processes across subsidiaries.					
We emphasize shared learning across organizational components in different businesses.					
We share innovations in products and organizational processes across subsidiaries.					
We put emphasis on learning from differences in managerial systems across countries.					
We stress shared learning across subsidiaries.					

Dependence (For the Kenyan institutional environment)

6 To what extent do you agree with the following statements regarding your organizations dependence on the Kenyan context?

1 – Strongly disagree, 2 – Disagree, 3 – Neither agree or disagree, 4 – Agree and 5 – Strongly agree

	1	2	3	4	5
Our Kenyan subsidiary operations are highly dependent on the institutional constituents.					
Success of our business rests on favourable Kenyan national, County, and municipal government policies.					
The success of our business in the Kenya depends on the institutional constituents.					
Keeping our Kenyan institutional constituents happy is a critical objective.					
Institutional members play an important role in our industry.					

Multiplicity (For the Kenyan institutional environment)

7 To what extent do you agree with the following statements regarding your organizations multiplicity in the Kenyan context?

1 – Strongly disagree, 2 – Disagree, 3 – Neither agree or disagree, 4 – Agree and 5 – Strongly agree

	1	2	3	4	5
Sometimes the demand made by one institutional constituent contradicts the demand made by another institutional member.					
Number of institutional constituents making demands of our subsidiary operations exceeds those in the other industries.					
Substantial numbers of institutional constituents monitor our Kenyan subsidiary operations					
The institutional constituents frequently monitor our Kenyan subsidiary operations.					
There are many institutional constituents that make demands on our Kenyan operations.					

Thank you for your Responses

Appendix III: Foreign Owned Multinational Commercial Banks

	Foreign Owned Multinational Commercial Banks
1	Bank of Baroda (K) Ltd.
2	Barclays Bank of Kenya Ltd.
3	Diamond Trust Bank Kenya Ltd.
4	Standard Chartered Bank (K) Ltd.
5	Ecobank Ltd
6	Gulf Africa Bank (K) Ltd
7	First Community Bank
8	Bank of Africa (K) Ltd.
9	UBA Kenya Bank Limited

Source: Central Bank of Kenya, Annual Report (2012)

Appendix IV: Project Work Plan

Time Frame for Research Activity	Week 1-3	Wk 4-Wk 6	Wk 7- Wk 10	Wk 11-Wk 14	Wk 15-Wk 18	WK 19-Wk 21	Wk 22-Wk 25
Presenting the Research Topic							
Writing Chapter One							
Writing Chapter Two							
Writing Chapter Three							
Designing the Research Instruments							
Finalizing on the Research Proposal							
Research Proposal Presentation							
Piloting							
Data Collection							
Data Analysis and Interpretation							
Summary of Findings, and Recommendations							
Research Project Presentation							

Appendix V: Project Budget

	Item	Cost (Kshs)
1	Transport	5,500
2	Printing, photocopy and binding charges	10,500
3	Library and internet expenses	12,000
4	2 Research assistants @10,000	20,000
5	Data Analysis	15,000
6	Sub Total	63,500
7	Contingencies (10% of sub-Total)	6,350
	Total Cost	69,850