GROWTH STRATEGIES ADOPTED BY ECO BANK KENYA LIMITED

BY

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DECLARATION

I the undersigned, declare that this is my original work and has not been presented to any other university for academic credit.

Signed.................................... Date....10/11/2011....

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This project has been submitted for examination with my approval as university supervisor.

Signed.................................... Date....11/11/2011....

Prof. Evans Aosa

DEDICATION

This project is dedicated to my parents Mr Francis Maina Kabugu. and Mrs. Ann Warima Maina who saw to it that I got the best in life and encouraged me to do my best. To my brother Paul, and sisters Jane and Sofi who supported me.

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ABSTRACT

Growth means change and proactive change is essential in a dynamic business environment Growth must be broadly defined, although the Product Impact Market Studies (PIMS) have shown that growth in market share is correlated with profitability other important forms of growth exists i.e. growth in the number of markets served, in the variety of products offered and in the technologies used to provide goods or services. A growth strategy can be defined as a tactic used by management to expand the consumer market for company's product. In order to search for expansion opportunities in the environment organizations use growth strategies. According to Pearce and Robinson, (1997) growth strategies are comprehensive approaches guiding the major actions designed to achieve long term objectives.

The banking industry is a very competitive one with many local banks coming up with strategies to grow in order to overcome the competition brought about by the environment. Eco bank is among the banks in the industry and over the past four years we have witnessed the bank grow and overcome a lot of competition to become one of leading bank in the country. The objective of the study was to identify the growth strategies adopted by Eco bank and challenges relating to growth that Eco bank is experiencing. Primary data was collected using an interview guide to the directors and heads of functions at the bank that totaled to seven. Eco bank annual reports were also used for Secondary data. Content analysis was then used to analyze the data.

Findings from the study saw that Eco bank used a number of growth strategies. Bank used Mergers with EABS enter the local market in 2008.Market development

strategy where the bank has been able to venture into different markets segments within the country by introducing products to cater for each segment. Product development strategy has been used by improving on the already existing products, adding value added benefits and introducing new products within the market. Partnership and alliances, Eco bank has partnered with KPLC and Safaricom among others mainly to improve on services offered to customers. Several challenges were encountered in the pursuit of growth some of which included high cost of advertising, challenges faced when venturing into jurisdictions i.e. legal and regulatory requirements.

Some of the limitations of the study were due to the fact that Eco bank is not listed in the Nairobi stock exchange that means most performance result is not in the public domain. This was a challenge as some senior managers felt some of the information should be left behind their closed door. They viewed the exercise with a lot of suspicion due to the stiff completion in the banking industry. Eco bank been a multinational bank, it was not possible to interview most functional head within the time frame planned since they travel a lot .The study wishes to recommend further research of the critical success factors for the implementation of growth strategies. This is because the research came across various other challenges and factors affecting growth of Eco bank Company in the course of study. Further studies should be done on the strategy formulation, implementation and evaluation of growth strategies in other companies and industries

ACRONYMS AND ABBREVIATIONS

ATM	Automatic Teller Machine
ETI	Ecobank Transnational Incorporated
EBK	Ecobank Kenya
DTB	Diamond Trust Bank
EABL	East Africa Breweries Limited
IT	Information Technology
KPLC	Kenya Power and Lighting Company
PC	Portable Computers
PIMS	Product Impact Market Studies
R&D	Research and Development
SME	Small and Medium Enterprise
UON	University of Nairobi

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CHAPTER ONE: INTRODUCTION

1.1. Background of the study

A firm's growth is tied inextricably to its survival and profitability. That means any organization that intends to have a future must come up with strategies that will enable it to survive the competition and register some growth (Pearce and Robinson, 1997).According to Kitoto (2005), all organizations lend themselves to the external environment which is highly dynamic and continually presents opportunities and challenges. Organizations being environment dependent have to constantly adopt activities and internal configurations to reflect the new external realities and failure to do this may put future success of an organization in jeopardy (Aosa, 1998).

ETI commenced operations with its first subsidiary in Togo in March 1988. Today, the Eco Bank Group is a full-service regional banking institution employing over 11,000 staff in over 746 branches and offices in twenty nine (29) west, central, east and southern African countries . Eco Bank continued growth from a single branch small bank in Togo to a group with branches in 29 countries in 23 years is an strong indication that is doing something right. Eco Bank Transnational Incorporated (ETI) acquired 75% of EABS Bank on the 16th of June 2008, and started with only 7 branches, today it has 19 branches.

We are living in a very dynamic environment and in order for organizations to be successful in this environment which has brought about many challenges and opportunities, it is important for organizations to come up with ways of dealing with these opportunities and challenges. One of the most important concepts developed and has proven to be useful to management in this diverse environment is strategy. For organizations to remain successful and competitive they come up and use different strategies depending on the type of environment they operate in. Designing viable strategies for a firm that will ensure growth requires a thorough understanding of the firms industry and competition (Mintzberg, 1987).

1.1.1. Growth Strategy

Growth means change and proactive change is essential in a dynamic business environment. Growth must be broadly defined, although the Product Impact Market Studies (PIMS) have shown that growth in market share is correlated with profitability other important forms of growth exists i.e. growth in the number of markets served, in the variety of products offered and in the technologies used to provide goods or services. Growth for an organization can take various forms depending at what stage in the cycle of organization growth an organization is. For example new entrants in a market will focus on product development and market development while organization that have been in a market for a longer period will focus more on market penetration and cost leadership.

To ensure survival and success firms need to be able to manage threats and exploit opportunities. This requires the formulation of strategies that constantly match capabilities to environmental requirements. A growth strategy can be defined as a tactic used by management to expand the consumer market for company's product. In order to search for expansion opportunities in the environment organizations use growth strategies. According to Pearce and Robinson, (1997) growth strategies are comprehensive approaches guiding the major actions designed to achieve long term objectives. He states that strategic managers recognize that short run profit maximization is rarely the best approach to achieving sustained corporate growth and profitability. He states that if impoverished people are given food, they will eat it and remain impoverished however if they are given seeds and tools and shown how to grow crops they will be able to improve their condition permanently. For most strategic managers the solution is clear, distribute a small amount of profit now but sow most of it to increase the likelihood of a long term supply.

Hunger and Wheelen (1995) state that there are two basic growth strategies concentration and diversification. Concentration through horizontal integration is where firms expand into other geographic locations done by increasing range of products and services offered to current markets. Other strategies include coming up with new products and services in order to acquire new markets and channels and also aimed at retaining existing customers. He states that diversification is where companies diversify out of their current markets into a related industry, only companies that are leaders in their core business and have capabilities needed for success in the new industries are likely to use this strategy. In order to implement successful growth strategies it requires management to communicate the importance of growth and strengthen the creation and circulation of new ideas to the employees..

1.1.2. Banking Industry in Kenya

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. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interest's .The

KBA serves a forum to address issues affecting members. The Central Bank of Kenya publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publication (Mwasho, 2007).

A few large banks dominate the industry most of which are foreign owned though some are locally owned e.g. National Bank of Kenya, Equity bank, Commercial Bank of Kenya, Barclays Bank of Kenya, Standard Chartered Bank, Eco Bank seems to have an uphill task in catching up with these banks some of which have been in the market for over 90 years. The Kenyan banking industry is the most diverse in East Africa with Kenya Commercial Bank being the largest of all indigenous bank in Kenya and East Africa as a whole, the industry is an important sector in improving economy of the country. The industry is very competitive and is evident by erratic changes being adopted by various banks and the different strategies they have employed in order to remain competitive (Mwarey, 2008).

The industry has faced several issues such as changes in regulatory framework, declining interests margins due to customer pressure for non-traditional services and introduction of non-traditional players who now offer financial services products (Mwarey, 2008). Recent decades have seen radical transformation within the banking sectors of most industrialized countries. These transformations have also spread to non-industrialized countries or the developing countries including Kenya. Most of these transformations have been necessitated by change in the environment (Porter, 1998). Over the past years the banking sector has witnessed phenomenal growth in its asset base attributed to the increase in deposits and injection of capital as well as retention of profit by industry players (Mwarey, 2008).

The Central bank has on a few occasions put certain commercial banks under statutory management and some have resulted to closure. Some smaller banks have started to merge in a bid for survival as they are faced with an increase in high operational cost due to cutthroat competition from bigger players. In the 1990s many banks closed their branches in a bid to cut cost while others merged, but the same banks are now opening branches everywhere in the country just to capture markets which they had earlier ignored. According to Mutua (2006) the banking sector is poised for significant product and market development that should result in further consolidation of the banking sector.

1.1.3. Eco Bank Kenya ltd

The Pan-African bank Eco Bank Transnational Incorporated (ETI), a public limited liability company, was established as a bank holding company in 1985 under a private sector initiative spearheaded by the Federation of West African Chambers of Commerce and Industry with the support of ECOWAS. In the early 1980's the banking industry in West Africa was dominated by foreign and state-owned banks. There were hardly any commercial banks in West Africa owned and managed by the African private sector. ETI was founded with the objective of filling this vacuum. The Federation of West African Chambers of Commerce promoted and initiated a project for the creation of a private regional banking institution in West Africa. In 1984, Eco-promotions S.A. was incorporated. Its founding shareholders raised the seed capital for the feasibility studies and the promotional activities leading to the creation of ETI.In October 1985, ETI was incorporated with an authorized capital of US$100 million. The initial paid up capital of US$32 million was raised from over 1,500 individuals and institutions from West African countries. The largest shareholder was the ECOWAS Fund for Cooperation, Compensation and Development (ECOWAS Fund), the development finance arm of ECOWAS.A Headquarters' Agreement was signed with the government of Togo in 1985 which granted ETI the status of an international organization with the rights and privileges necessary for it to operate as a regional institution, including the status of a non-resident financial institution.

ETI commenced operations with its first subsidiary in Togo in March 1988. Today, the Eco Bank Group is a full-service regional banking institution. The Group's expansion plan includes the opening of new subsidiaries and branches in other Middle African countries as well as representative offices and international banking facilities in the major financial centers that have substantial trading and transaction links with Africa such as London, Paris, Dubai and Beijing. . (www.ecobank.com).ETI entered the Kenya market through acquisition if EABS Bank Ltd .EABS Bank Ltd has been existence since 2005 after the merger between Akiba Bank Ltd and East African Building Society. Eco Bank Transnational Incorporated (ETI) acquired 75% of EABS Bank on the 16th of June 2008, and the bank consequently changed its name to Eco Bank Kenya Limited. ETI subsequently increased its shareholding in the bank which is currently at 90.72%.(central bank,2008)

1.2. Research problem

Growth means change and proactive change is essential in a dynamic business environment. The nature and degree of competition in an industry hinge on five forces, the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products or services and jockeying among current contestants. To establish a strategic agenda for dealing with these contending currents and grow despite them a company must understand how they work in its industry and how they affect the company (Pearce and Robinson, 1997).

Despite the unfavorable macro-economic indicators the banking sector has continued to experience significant local and regional growth amidst increased competition. It is expected that the banking sector will continue to grow especially in the retail banking segment as major consumer segments remain largely unbanked. In the past few years we have seen commercial banks coming up with new products to fit a market that had not been tapped before, they have also been opening branches in almost every part of the country. Banks have been promoting their products and services through advertisements in our local media. All this is because of the competition the banks are facing both locally and globally. We are therefore increasingly seeing banks changing tactics and strategies to enable them grow profitably. Currently Kenya has a low penetration of financial services and products amongst its population. To improve accessibility to financial services and products Central Bank of Kenya has continued to initiate financial sector reforms and promoted the licensing of micro finance institution as well as the use of technology.

Eco Bank Kenya (EBK) as at 31st December 2008 had an asset base of kes 10.4 billion , as at 31st December 2009 its asset base had grown to kes 13.9 billion and by 30 September 2010 is had an asset base of Kes 19.1 billion (US$ 236.7 million). As at 31 December 2009 the bank was ranked 19th in the industry out of 43 commercial banks in terms of asset size. The bank currently has 19 branches from its initial 7 when it took over EABS and it continues with its expansion plan to meet its target of being among the top industry players in Kenya. EBK focused in advertising in the media as a way of educating the public and trying to boost public confidence in a market where in the past some banks have collapsed, since EABS was not a house hold name in the banking sector more work needs to be done to expand its market share. Minimal studies have been done specifically on EBK putting in mind that it's a relatively new bank in the market. None of the studies done in the past have covered Eco Bank strategies and some of the challenges that is facing in penetrating the local market.

Mukule, (2006) surveyed the retail marketing strategies adopted by commercial banks in Kenya. Langeard, (1980) was concerned with identification of the logical, minimum risk growth strategy paths for service firms and low technology product firms with a very high service component in their offering and Mascarenhas, (2002) was concerned with five strategies for rapid firm growth and how to implement them. It identifies five common strategies that lead to sustainable growth, the contexts in which they occur, their sources of advantage, how to implement each strategy, and their potential pitfalls. No study has been done on growth strategies adopted by Eco Bank Kenya. The study therefore seeks to find out challenges that the bank is facing and the strategies they have adopted in order to grow and become successful. It is evident that companies and organization pursue growth and strive to adopt different strategies to ensure growth. What strategies is Eco Bank adopting to ensure growth? What challenges to growth is it facing?

1.3 Objective of the Study

This research project has two objectives .

- To establish growth strategies adopted by Eco Bank.
- To establish challenges relating to growth in Eco Bank

1.4 Value of the Study

The research project will seeks to add on the already existing literature on growth strategies adopted in the banking industry. It will bring out clearly strategies that the Non local owned banks which are relatively new in the market in Kenya are adopting to penetrate and succeed in the competitive market. Eco Bank been a relatively new bank that have a strong base in the western African market it would be interesting to know how it planning to grow in this market

The study will benefit policy maker to understand what is working in terms of ensuring consistent growth for new entrant in a market and the challenges foreign investors are facing when they establish their business in the country. This understanding of growth strategies adopted by this multinational bank will guide policy makers in formulation regulatory polices to govern investment and multinational business regulation

Eco Bank employees will benefit by understanding the challenges their organization is facing in the country and to know the type of strategies they have adopted to enable them deal with these challenges and grow. To students the study will help them to understand the strategies that EBK and commercial banks in general have adopted in order to grow and also the challenges the banks are facing in the country more so those used by a relatively new bank in the market and how its planning to be among the market leader in the country. The study will enable people to better understand Eco Banks and strategies to help them grow in the country.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter present literature on what practitioners and scholars have presented on the concept of strategy ,growth strategies that organizations are pursuing to ensure growth, challenges that organizations and especially the banking sector have to deal with as they formulate implement and evaluate various strategies in pursuit of growth

2.2 Concept of Strategy

We all know that we are living in a very dynamic environment and in order for organizations to be successful in this environment which has many challenges and opportunities, it is important for organizations to come up with ways of dealing with these opportunities and challenges. One of the most important concepts developed and has proven to be useful to management in this diverse environment is strategy. For organizations to remain successful and competitive they come up and use different strategies depending on the type of environment they operate in, because strategy helps in the daily operations of a business or industry. The essence of strategy is to build a posture that is so strong (and potentially flexible) in selective ways that the organization can achieve its goals despite the unforeseeable ways external forces may actually interact when the time comes (Mintzberg and Quinn, 1991).

Ansoff and McDonnell (1990), state that a business strategy sets forth the mission of a company. It reflects the choice of the key services the organization will perform and primary basis for distinctiveness in creating and delivering such services. The mission is the overriding aim of the company, strategy serves as a guide to managers in deciding what to do and what not to do and it is the rallying theme for coordinating diverse activities. He states that strategy can be and in many companies is the major instrument that senior managers use to shape the future course of their business. Its role can be three fold, to identify the changing and tough environment, to prescribe initiatives and other actions that the company will take to win its desired position in the turbulent setting and to articulate a dominant mission that will focus around which diverse company activities can be integrated.

Different authors have defined strategy in different ways. Drucker (1954) defined strategy as the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals. Andrews (1971) defined strategy as the pattern of major objectives, purposes or goals and essential policies and plans for achieving these, stated in such a way as to define what business the company is in or is to be in and the kind of company it is or is to be. According to Mintzberg and Quinn (1991). strategy is a plan, some sort of consciously intended course of action or a guideline to deal with a situation, therefore, strategy has two characteristics; they are made in advance of the actions to which they apply and they are developed consciously and purposefully. In management strategy is a unified comprehensive and integrated plan designed to ensure that the basic objectives of the enterprise are achieved.

Mintzberg (1987) argued that we could not afford to rely on a single definition of strategy. He proposed five definitions of strategy, strategy as a plan, a ploy, a pattern, a position and a perspective. As a plan, strategy specifies consciously intended course of action of a company. As a ploy, strategy is seen as a pattern emerging in a stream of actions, strategy is seen as a consistency in behavior. As a position, strategy is a strategic agenda of action. They highlight the critical strengths and weaknesses of the company, clarify areas where strategic change may yield the greatest payoff and highlight the places where industry trends promise to hold the greatest significance as either opportunities or threats. Understanding these forces also proves to be of help in considering areas for diversification. Achieving growth is a complex and difficult equation and only a small minority of company's succeeds in the endeavor. Companies that stagnate quickly get passed by in a rapidly changing and improving global economy. Managers employ growth strategies to improve both strategic and financial performance of a business. By strengthening and expanding the company's market position growth strategies improve both top line and bottom line results. Successful growth relies heavily on management execution; this is very challenging in many organizations because even the best strategies can fail without proper management execution. (Thompson, Strickland & Gamble, 2008).

Some of the growth strategies may include and not limited to the below discusses strategies, concentrated growth is one of the strategies for growth where of the firm directs its resources to the profitable growth of a single product, in a single market, with a single dominant technology. The main rationale for this approach, sometimes called a market penetration or concentration strategy, is that the firm thoroughly develops and exploits its expertise in a delimited competitive arena (The Executive, 1990). It involves increasing the use of present products in present markets. Organizations employ concentrated growth by building on their competencies and achieving a competitive edge by concentrating in the product market segment it knows best. This strategy is aimed at growth resulting in increased productivity and even better coverage of its actual product-market segments (Pearce and Robinson, means of locating an organization in its environment. As a perspective strategy consists of a position and of an ingrained way of perceiving the world. It gives the company and identity or personality. Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of economic and non economic contribution it intends to make to its shareholders, employees, customers and communities.

A winning strategy must fit the enterprises internal and external situation, build sustainable competitive advantage and improve company performance (Thompson et al, 2008). A strategy can be easily formulated but the hardest bit which has made many companies fails and only a few succeed is its implementation. For a strategy to be successfully implemented it requires good management and a workforce that understands the need and importance of change in the environment and therefore strategy formulation and implementation. It is very vital for management to communicate change of strategy to all its employees and stakeholders so as to successfully implement strategy. Therefore without good strategies a company's objectives be it long term or short term may not be met therefore leading to its failure.

2.3 Growth Strategy

Pearce and Robinson (1997), state that the essence of strategy formulation is coping with competition. The state of competition in an industry depends on five basic forces i.e. threat of new entrants, powerful suppliers, powerful buyers, substitute products and jockeying for position. Knowledge of these forces provides the ground work for a

1997).

Product development is the creation of new or improved products to replace existing ones. This gives massive boost to market share. A company can develop new product for existing markets or develop new products for new markets (Hunger and Wheelen 1995) .This strategy involves developing new products for present markets; it involves adapting new product features or modifying the existing products or services (Pearce and Robinson, 1997).Product development is important for maintaining product differentiation and building market share. Refining and improving products is an important competitive tactic, but this kind of competition is very expensive and raises costs (Warren, Raymond and Gemmy 2008). Despite the attractiveness of product development it may not always be in line with expectations and may raise uncomfortable dilemmas for organizations.

Market development is where existing products are offered in new markets. Organizations may encounter some difficulties around credibility and expectations as they attempt to enter new markets or segments (Gerry, Kevan and Richard, 2005).
Pearce and Robinson, (1997) defines market development as a strategy used by organizations to sell their products in new markets by opening additional geographic markets through regional, national and international expansion. We have seen companies growing by attracting other market segments and developing product versions to appeal to those segments

Thompson et al, (2008) state that companies in all types of industries and in all parts of the world have elected to form strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness in domestic and international markets. Banks in Kenya have not been left out Co-op bank and Barclays bank have partnered with KPLC to enable payment of electricity bills in their banking halls. According to Charles, (2001) alliances are cooperative agreements between companies that may also be competitors. He states that companies enter into strategic alliances with actual or potential competitors in order to achieve a number of strategic objectives it may be a way of facilitating entry into a new market, to share fixed cost and also bring together complementary skills and assets that neither company could easily develop on its own. He states that alliances can help the company set technological standards for its industries if those standards benefit the company

A merger is a transaction involving two or more corporations in which stock is exchanged but in which only on corporation survives. Mergers occur between firms of the same size and usually friendly. The resulting firm is likely to have a name derived from its composite firms. An acquisition is the purchase of a company that is completely absorbed as an operating subsidiary or division of the acquiring corporation. Acquisitions occur between firms and can be either friendly or hostile (Hunger and Wheelen ,1995)

Outsourcing means vertical disintegration of an activity. A Firm shifts an activity from in house operations to market supplier because of its deteriorating capability through poor investment decision, through entry of a competitor with stronger capabilities or through appearance of a strong supplier. Other firms use outsourcing as a shift in strategy not the competence of the firm away from the activity (Walker, 2004). Hunger and Wheelen, (1995) state that if a company does not have a strong capability in a particularly functional area that functional area could be a candidate for outsourcing. He states that outsourcing is purchasing from someone else a product or service that had been previously provided internally

2.3 Challenges Relating To Growth

Historically financial institutions especially banks have been one of the most heavily regulated companies in the world thus the most safest and conservative businesses. Even though they were considered safe some regulations hindered bank growth, regulation took many forms i.e. maximum interest rates paid on deposits and charged on loans, limited geographic markets for full service banking and they were also constrained on the type of investments permitted and restrictions on range of activities, products, and services offered (MacDonald & Koch, 2006). Managing institutions in today's competitive marketplace represents an unprecedented challenge; virtually all companies within the same industry are in competition with each other with many of these firms reaching into ever more distant markets to confront a growing list of new competitors. Banks and non-bank financial institutions today stand toe to toe in competing for many of the same customers, intense homogenized competition of this sort has placed great pressure on the profit margins of existing financial institutions and dramatically increased the risk of institutional failure (Rose, 1993). According to Mukule (2006) environment in which financial institutions operate is constantly changing with different factors exerting influence in the organizations. For institutions to be efficient and competitive they must change with the fast changing pace of the environment. The institutions have experienced changes over the last decades which have been major forces impacting on their performance.

Five fundamental forces have transformed the structure of financial markets and institutions and reflect the intense competition financial firms face today: deregulation/regulation, financial innovation, securitization, globalization and advances in technology, these combined forces have induced firms to compete in new products and geographic markets (MacDonald et al 2006). Commercial banks in today's deregulated financial system have been able to protect their market share from pirating by non-bank financial firms despite the failures and other pressures they are faced with. It has been very important for these institutions to constantly scan the environment (remote environment, industry environment and operating environment) to be aware of what is happening because only then can they develop strategies to fit both the internal capability of the organization and its environment.

Meeting or exceeding growth is a challenge in this age of technological, economic and political volatility. According to Kimani, (1996) It has become an indispensable ingredient in several strategic thrusts that businesses have initiated to meet the challenges of change. Technological advancement is one challenge many institutions are facing, this is because most of these institutions are not technologically advanced especially in a country like Kenya .The political and economic situation of a country poses a major challenge for institutions because one cannot effectively plan for growth in an unstable economy. A good example is the situation that we had in Zimbabwe where the political instability has caused major increase in inflation within a short period rendering their currency useless and also serious health problems affecting the whole country which has in turn hindered growth for industries and many people left jobless

Another major challenge that greatly hinders growth is employees. Many firms usually fail to communicate with their employees about growth strategies and even when they communicate they don't properly train them on how to properly implement these strategies leading to a number of employees being resistant to the new policies and therefore a good growth strategy may fail due to poor implementation by employees. It is important to greatly communicate with employees and train them if necessary so as to achieve good results. Another major challenge relating to growth is the culture. Brown, (1998) defines organization culture as the pattern of beliefs values and learned ways that have developed during the course of organizational history and which tend to be manifested in its members. The culture of organization needs to be changed when it doesn't fit well with the requirements of the environment especially when the company is rapidly growing. In Africa corruption and political interference are challenges institutions have to face daily and even religious beliefs, all these are challenges which many institutions have to face and most of the time growth is hindered. Time is one most important factor that if not managed properly can create challenges in the future; this is because, most strategies are given timeframes and if these timeframes are not managed well before achieving the objective it can cause emotional and physical drain to the employees when they are forced to work under tight timelines. Managers need to be prepared to identify, evaluate and implement growth strategies more quickly than was previously the case (www.bridgestrategy.com).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter consists of the research methodology used in the study. This includes the research design, data collection method research instruments and data analysis. This chapter finally looks at the data analysis technique that was applied. Both primary and secondary data were collected and used in the analysis

3.2 Research Design

The study was conducted through a case study. According to Mugenda (1999) a case study makes a detailed examination of a single subject group or phenomenon. The case study was chosen because the objective of the study requires an in-depth understanding of the growth strategies adopted by a single bank i.e. Eco Bank Kenya.

The choice of the bank was based on the fact that it's a relatively new bank in the market having acquired EABS in 2008. Eco Bank is a strong brand in west Africa, and it will be interesting to see if the ongoing influence in Kenya by the West Africa culture i.e. music, movies and fashion will have any impact on the banking sector and work to advantage of Eco Bank.

3.3 Data Collection

The nature of data collected was qualitative data. An interview was the tool which was used to collect the data. The interview guide consisted of two parts, part one dealing with the personal information of the informant and part two dealing with the growth strategies adopted by the bank and challenges they are facing. A sample of ten informants was interviewed, Directors and Heads of Departments, because they are the people who make strategic decisions for the Company.

Interview guide was developed by surveying other studies done in the banking industry in the past and comparing their interview guide (Mwarey, 2008), (Mutugi 2008), (Odinga, 2006). Data was also collected through secondary data like annual reports and bank magazines because they contain information on what developments the bank has done through the years which includes strategies they have used to help the organization.

3.4 Data Analysis

Nature of data collected was qualitative. The guide was checked for consistency and data was analyzed through content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study. It involves observation and detailed description of objects, items or things that comprise the sample (Mugenda, 2003).

The case study involved a single organization, and the study solicits for data which is qualitative in nature. Interview guide had close and open-ended questions that encouraged respondent to describe strategies in their own words and did not limit the respondents.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the data findings, analysis and interpretation. The main objective of the research was to investigate the growth strategies of Eco Bank where the case study research design was used. To achieve the objective of the study the research was conducted through an interview guide which was used to obtain the required information. The interview guide was divided into two section; section one sought to find information on the interviewee while the second section sought to find data on the growth strategies the bank has used and the challenges faced.

The study targeted seven interviewees the Directors and Heads of Functions most of whom have worked for the company for more than two years. The study targeted these employees since they are the ones involved in making strategic decisions and policy issues within the Company and therefore are the best people to give the required information for the study.

4.2 Growth strategies adopted by Eco Bank

4.2.1 Market Penetration

Market penetration focuses on increasing market share of the firm by increasing the use of existing products in the present markets. This can be done by encouraging existing customers to buy more products frequently through advertising, giving price incentives for increased usage, persuading competitors' customers to switch to your products through advertising and promotion.

The other approach to market penetration involves identifying and promoting alternative uses of the same products within the existing markets. Eco Bank has been advertising through the media about its products. The bank has given incentives like winning a house if one takes a loan which qualifies one to enter the draw of the competition and also customers are given price incentives like five thousand if they open an account with the bank through competitions in some of the radio stations. All these have encouraged many customers to switch to Eco Bank products as the service and value added benefits are the best as compared to other competitors. Eco Bank also uses market penetration strategy to expand the sales of current products in markets where their products are already being sold, marketers utilize market penetration strategies such as cutting prices, increasing advertising, or innovative distribution tactics

4.2.2 Market Development

Market development is a strategy involving marketing present products (sometimes with cosmetic changes) to new market segments/areas. This can be done by; increasing the channels of distribution to reach other market areas or segments, opening additional geographical markets locally, regionally or internationally and advertising in alternative media to reach other segments. The bank is also venturing into the population of SME because many Kenyans are self employed people who have started small businesses to cater for their livelihood, the bank has not left out the mass market, affordable products i.e. monthly fee free accounts, have been developed to for this market which has been very successful as many people are able to afford to open and operate an account with the bank. Parents are also being encouraged to open accounts for their children, Corporate customers have not been left out as the bank has not only improved on the existing products i.e. to include overdraft facilities but has also opened state of the art corporate banking centers.

The bank also uses market development through market segmentation based on income levels and occupation, this is because customer needs vary which mainly depend on ones lifestyle. This strategy has produced the best ways for the bank to meet its customer needs and generate growth. Over the past year the bank has managed to open branches all over the country especially in the city centre it started with only 7 branches, today it has 19 branches

4.2.3 Product Development

Product development involves substantial modification of existing products or the creation of new but related products to be marketed to the existing customers through the existing channels. This is done through, developing new products features to adapt to different areas or uses; modifying the form; magnify the size, strength or value of the product, developing products of different qualities to suit various customers segments and developing new products for other uses.

Eco Bank has used product development strategy by analyzing marketing needs and determining the opportunity available and also the banks strategy. The bank serves most of the market segments within the environment it operates in. It has to catch up with strategies that will enable it maintain and grow its business and customers. The bank has come up with many new products to capture new markets e.g. Junior account.

Eco Bank also deals with many big corporate companies which usually have multiple accounts with the bank. Strategies have been developed to improve services offered to such corporate customers e.g. electronic banking which was introduced to help in growth of corporate customers, where a customer can have internet access and pay bills from their PC at home and have access to accounts from ones own PC.The bank also takes the advantage of petroleum companies that buy fuel in bulk. These companies borrow money from the bank to pay and then pay off the loan from the bank within a month or so. Product department strategy has been very successful taking into consideration the environment the bank is operating on.

4.2.4 Innovation Strategy

Innovation strategy involves coming up with new products or IT systems which enables customers to have wide range of products to choose from and also enables organizations to have improved and better services for the customers which enables it to maintain or improve its competitive position in the market. The strategy has been used by developing one of a kind product that enables the bank to remain competitive e.g. mobile banking through where customers can check their account balances, pay bills, transfer funds from their mobile phones.

The bank has recently adopted a new IT system which can now serve customers better and improve services offered within the bank. The Strategy has been used to reduce the turn around time of serving the customer there fore improving customer service.

4.2.5 Partnership and Alliances

Partnership and Alliances is a strategy that involves cooperative agreements and strategic alliances between companies in order to achieve a number of strategic objectives. It can be used to facilitate entry into a new market or can help the company set technological standards for the industry among other benefits.

Eco Bank has recently partnered with organizations from different sectors of the economy e.g. KPLC and Nairobi Water Company where Eco Bank customers and non-Eco Bank customers can now pay their water and electricity bills in any Eco Bank branch. This has opened the retail business to offer full banking services to its customers and acquire more customers. The bank has also partnered with one of the leading supermarkets i.e. Nakumatt, by offering credit cards products to customers to use when they shop at the supermarket These strategies have been successful as the bank has been able to grow its customers base.

4.2.6 Outsourcing Strategies

Outsourcing means vertical disintegration of an activity. Outsourcing strategy involves the purchase of activities that are not key to the organizations distinctive competencies. Its where some value chain activities are done by outside vendors. Currently the bank has outsourced daily administration duties i.e. the Security services, cleaning services and even copier machine services as opposed to employing own people.

The aim of outsourcing is to aid in cutting costs since one can control the amount paid out for the services rendered. Hunger and Wheelen, (1995) states that outsourcing is purchasing from someone else a product or service that had been previously provided internally this allows an organization to focus on its core business.

4.2.7 Cost Leadership Strategy

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. The cost leadership strategy usually targets a broad market. Some of the ways that the firm acquires cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs altogether. If competing firms are unable to lower their costs by a similar amount, the firm may be able to sustain a competitive advantage based on cost leadership.

Eco Bank has adopted a competitive cost structure by investing in state of the art plant technology to achieve international costs and quality benchmarks. The bank has been able to promote an entrepreneurial management culture with strong management and operational teams that focuses on creating value in the organization. In order to successfully implement the cost leadership strategy Eco Bank also recognizes the importance of its suppliers and consider them as partners in progress. The company therefore promotes efficiency in its entire supply chain by setting standards and creating awareness for its suppliers to adopt international benchmarks. As a result of this Eco Bank has consistently improved its margin over the years.

4.3 Challenges relating to growth in Eco Bank.

There are several challenges that Eco Bank encountered in pursuing market development strategy this includes high costs of advertising the products mostly with the print media. There is also a limitation in the area of coverage. The bank reckons that regional expansion presents unique challenges in form of legal and regulatory which exists in different countries. There are also other country specific trade barriers like local component requirements, ownership structure and product standards. Operating in different jurisdictions also exposes the company to foreign exchange risks. Eco Bank has dealt with these challenges through incorporation of local subsidiaries with some local ownership in the country of operations as well compliance with other legal and regulatory requirements.

Other challenges include the heavy investment outlay required to establish production, distribution and marketing capacity in a foreign country. The company has had to invest substantially in sales, promotions and advertising in order to make its products create awareness and demand for its products in these countries. Eco Bank has also adopted a strategy of raising finance from the specific country of operation thereby overcoming the foreign exchange risks and also increasing the level of ownership from the locals.

The bank agreed that product development strategy has presented various challenges including; high research and development and marketing costs since the modified product appears as a new product to the already existing market hence there is need to provide enough information about the product. High production cost due to developing products of different qualities to suit various customers segments or developing new products for other uses. The bank has dedicated sufficient resources for enhancement of brand awareness and distribution network. The company is able to address the challenges by preparing a flexible budget which helps them to cater for any extra expense in marketing, advertisement or in production. The use of the already existing channels also helps the company cut down on expenses of venturing into new markets.

Outsourcing non-core business in Eco Bank comes with its own challenges because there is a risk of getting substandard product and also the services can be discontinued without notice which can led to loss. suppliers and the organization could be having differences in objectives, culture and values which can complicate their relations

4.4 DISCUSSION

4.4.1Comparison with the theory

Growth means change and proactive change is essential in a dynamic business environment. According to Pearce and Robinson, (1997) growth strategies are comprehensive approaches guiding the major actions designed to achieve long term objectives. According to the findings of the study organizations that want to survive in today's market are perusing growth strategies to ensure they support their sustainability in the market. To establish a strategic agenda for dealing with competition and grow despite them a company must understand how they work in its industry and how they affect the company (Pearce and Robinson, 1997).

Managers employ growth strategies to improve both strategic and financial performance of a business. By strengthening and expanding the company's market position growth strategies improve both top line and bottom line results. Successful growth relies heavily on management execution; this is very challenging in many organizations because even the best strategies can fail without proper management execution, (Thompson, Strickland & Gamble 2008).

From the study it was noted that there are major strategies that any organization wishing to grow must ensure they are well implemented these include market development, market penetration, cost leadership, innovation and product development which important for maintaining product differentiation and building market share (Warren, Raymond and Gemmy 2008). Hunger and Wheelen (1995) state that there are two basic growth strategies concentration and diversification. Concentration through horizontal integration is where firms expand into other geographic locations done by increasing range of products and services offered to current markets. Other strategies include coming up with new products and services in order to acquire new markets and channels and also aimed at retaining existing customers.

Eco Bank has realized in order to implement successful growth strategies it requires management to communicate the importance of growth and strengthen the creation and circulation of new ideas to the employees. Eco Bank has adopted most of the above discussed strategies and the results can be seen from the growth it has experienced in the four years it has been operating in Kenya.

4.4.2Comparison with other empirical studies

Over the past years the banking sector has witnessed phenomenal growth in its asset base attributed to the increase in deposits and injection of capital as well as retention of profit by industry players (Mwarey, 2008).This growth in the industry is what attracted ETI to merge with EABS as a strategy to enter the Kenyan market. A merger is a transaction involving two or more corporations in which stock is exchanged but in which only on corporation survives. Mergers occur between firms of the same size and usually friendly. The resulting firm is likely to have a name derived from its composite firms or a totally different name (as in the case with Eco Bank.)(Hunger and Wheelen ,1995)

Pearce and Robinson (1997), state that the essence of strategy formulation is coping with competition. Concentrated growth is one of the strategies for growth where of the firm directs its resources to the profitable growth of a single product, in a single market, with a single dominant technology. The main rationale for this approach, sometimes called a market penetration or concentration strategy, is that the firm thoroughly develops and exploits its expertise in a delimited competitive arena (The Executive, 1990).Eco Bank has been advertising through the media about its products. The bank has given incentives like winning a house if one takes a loan which qualifies one to enter the draw of the competition and also customers are given price incentives like five thousand if they open an account with the bank through competitions in some of the radio stations. All these have encouraged many customers to switch to from competitor

Eco Bank has managed to borrow strategies been implemented by Eco Bank in other African countries and implementing them in the local market with minimal modification other than formulating new ones tailor made for the local market, this saves a lot of time and cost in the implementation process. The industry is very competitive and is evident by erratic changes being adopted by various banks and the different strategies they have employed in order to remain competitive (Mwarey, 2008). Eco Bank ability to duplicate its operation in Kenya from other African countries in which it has operated for more years gives it a competitive edge as compared to other local and multinational banks in the market. It amazing how Eco Bank has managed to do deal with challenges like culture and regulation that make duplication of operation in different countries difficult

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study was aimed at finding out growth strategies adopted by Eco Bank and challenges relating to growth that the bank is facing. From the analysis and data collected the following discussions, conclusions and recommendations were made.

5.2 Summary of the findings

5.2.1 Growth strategies adopted by Eco Bank

According to the findings of this study, all interviewees were unanimous that, their organization uses market penetration, market development, and product development and diversification strategy. It was also clear that Eco Bank has positioned itself as a low cost service provider with a view to increasing their profit margins and also passing on some of the benefits of this strategy to their stakeholders like the suppliers, staff and community through corporate social responsibility initiatives. Depth of sales of a particular product in a given market the deeper the penetration, the higher the volume of product sales.

In order to expand the sales of current products in markets where their products are already being sold, marketers utilize market penetration strategies such as cutting charges, increasing advertising, or innovative distribution tactics. Market penetration can also be pursued though identifying and promoting alternative use of existing products in the current markets with minimal modification. It was also clear from this that this strategy may be limited if the firms production capacity is not sufficient due to low materials constraints.

Outsourcing of the distribution networks and development of close partnership is key in managing efficient and effective distribution network. Based on the outcome of the study, it was clear that product development strategy has been successfully applied by Eco Bank. It is also evident that for a firm to pursue this strategy it should have adequate resources for investment in research and development, creating production capacity as well as marketing of the new products to the existing and new markets. Access to the capital markets is therefore essential for firm to be able to mobilize resources for these undertakings.

5.2.2 Challenges relating to growth in Eco Bank

There are several challenges that are encountered in pursuing growth for example in pursuing market development strategy challenges faced includes high costs of opening new branches in the new markets and the costs of advertising the products in both electronic and print media. There is also a limitation in the area of coverage. The bank noted that opening additional geographical markets locally or internationally has many challenges due to the different legal and regulatory requirements in various jurisdictions. It is also clear that these challenges may be addressed through location of branches in the areas of operations and incorporation of subsidiaries companies with limited local ownership in the country of operation.

Outsourcing present challenge of getting substandard good and the supply is not always guaranteed. Innovation comes with heavy investment in research and development and also it requires hiring the right people who should be young and energetic with above average intellect. Political and economic situation in the country is another challenge that Eco bank has had to deal with. It started operation just after general election in Kenya which was one of the most challenging period for business. Kenyan shilling has weakened in the course of this year and this exposed the bank to foreign exchange risk. The security in the region is becoming a challenge with the increase in terror alerts as result of Kenya military invasion in Somalia.

5.3 Conclusion

The study concludes that just like Eco Bank other firms may use the Ansoff growth strategies or the Porter's generic strategies. The firm can also use a combination of the Ansoff growth strategies and the Porters generic strategies. The combination of the two sets of strategies was shown as beneficial as the strategies complement each other. Application of any growth strategies presents various challenges to the firm. A firm wishing to pursue growth must therefore put in place sufficient resources to be able to counter these challenges. Market development across national borders has unique challenges due to the need for the firm to comply with laws and regulation in various countries. Apart from the different legal frameworks in different countries, there are also varied social cultural settings which must be surmounted for the firm to effectively develop a new market for its products. In order to sustain an effect market penetration companies must decide whether they want to diversify by going into related or unrelated businesses. They must then decide whether they want to expand by developing the new business or by buying an ongoing business.

Finally, management must decide at what stage in the production process they wish to diversify. Also Ideas for new products can be obtained from basic research using a SWOT analysis (Strengths, Weaknesses, Opportunities & Threats), Market and consumer trends, company's R&D department, competitors, focus groups, employees, salespeople, corporate spies, trade shows, or Ethnographic discovery methods (searching for user patterns and habits) may also be used to get an insight into new product lines or product features. This was explained by the fact that the company has a ready market and hence the biggest challenge would be creating awareness of the new product. While using the existing resources to produce new goods helps reduce on expenses. Installing new production line for new products targeting new markets, proved to be very expensive hence not applicable. While acquiring a license to market new products to new markets, took along period to be implemented.

5.4 Recommendations

The researcher recommends that banking sector need to share their experiences because it was noted from comparison done in other studies some of the challenges Eco Bank is struggling some of the market players have fully overcome them.

Eco Bank needs to work on its strategic implementation process because it was noted that there was a dis connect between the strategic formulators and implementers. This was one of the challenges that come out very clearly. Strategic planning needs to fully involve all the stakeholders to reduce this disconnect.

It was noted that the bank had a challenge of measuring performance growth of its employee and this had created a lot of bad blood between the management and the staff. Human resource function should consider outsourcing a software known as work ware from oracle that is known to reduce performance related conflict since a staff can clearly see how well or how poorly their performance is on a day to day basis compare to their peers and departments can also compare their performance

5.5 Limitations of the study

Eco Bank is not listed in the Nairobi stock exchange that means most performance result is not in the public domain. This was a challenge as some senior managers felt some of the information should be left behind their closed door. They viewed the exercise with a lot of suspicion due to the stiff completion in the banking industry Eco Bank been a multinational bank, it was not possible to interview most functional head within the time frame planned since they travel a lot

Eco Bank does not have a clear academic research support policy and my study brought about a new challenge and I had to move from one office to the next before I finally was given go ahead to present my document and even after that I had to explain to individual functional head why I was interested in their organization.

Most of Eco Bank function heads are located in the head office which is in Nairobi but the bank has branches in other parts of the country and I did not have opportunity to talk to branch managers in those areas therefor this study cannot be taken as conclusive especially on the challenges of growth because every locality brings its unique challenges

5.6 Suggestion for Further Studies

The study wishes to recommend further research of the critical success factors for the implementation of growth strategies. This is because the research came across various other challenges and factors affecting growth of Eco Bank Company in the course of study. Further studies should be done on the strategy formulation, implementation and evaluation of growth strategies in other companies and industries, this will help any business realize good profits while helping it be in a position to either plough back the profits or strategize on diversification.

This study dealt mainly on growth strategies In general and further study can be done on individual strategy as it was noted some strategies contribute a lot to growth than others. For example market penetration and mergers and alliances.

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INTERVIEW GUIDE

The study seeks to establish the growth strategies adopted by Eco Bank of Kenya and the Challenges faced.

1.Department..

2. How long have your worked for the bank?...

3. In your opinion has the bank registered growth?...

b) If yes in what ways has the bank grown?....................................

4.what are some of the strategies the bank has adopted to ensure growth

....

....

5. What more still need to be done to ensure more growth?...

6. Below are some of the strategies used by organizations to achieve growth. How has the bank used these strategies to achieve its growth?

a) Product development

How was it used?

....

Why was it used?

....

How successful was this strategy.

....

b) Market development

How was it used?

....

Why was it used?

....

How successful was this strategy..

c) Innovation

How was it used?

……………………………………………………………………………………………………

Why was it used?

……………………………………………………………………………………………………

How successful was this strategy

……………………………………………………………………………………………………

d) Partnership/alliances

How was it used?

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Why was it used?

……………………………………………………………………………………………………

How successful was this strategy

……………………………………………………………………………………………………

e) Mergers/acquisitions

How was it used?

……………………………………………………………………………………………………

Why was it used?

……………………………………………………………………………………………………

How successful was this strategy

……………………………………………………………………………………………………

f) Outsourcing

How was it used?

....

Why was it used?

....

How successful was this strategy

....

g) Other strategies

....

7. Rank these strategies according to how they have greatly contributed in the bank?

....

....

8. What challenges did the bank face when implementing these strategies? explain

a) Time Management.

....

b) Culture

....

c) Employees

....

d) Political & Economic Situation in the country

....

...

e) Management

....

f) Regulation

....

g)Information Technology.

....

h) Others

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....

....