FACTORS INFLUENCING THE CHOICE OF ENTRY STRATEGIES BY THE KENYA COMMERCIAL BANK INTO THE EAST AFRICA REGION

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DECLARATION

This is to declare that this research proposal is my original work that has not been presented to any other University or Institution of Higher Learning for examination.

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DECLARATION BY SUPERVISOR:

This is to declare that this proposal has been submitted for examination with my approval as the university supervisor

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ACKNOWLEDGEMENT.

Most of all I would like to thank the Almighty God for the care, strength and good health during my study period.

I also wish to extend my gratitude to my family members for their endless support throughout this period. To my friends, colleagues, KCB Staff and University of Nairobi fraternity who supported me in one way or the other I say thank you very much for the support.
DEDICATION.

I dedicate this work to my wife Damaris and children Paul and Mark for their understanding and support during the study period.
ABSTRACT

To the best of the researcher's knowledge, no study had been done on the foreign market strategy Kenya Commercial Bank into the East Africa region. This was despite its success in establishing networks in many nations of the world. This study therefore sought to fill the gap in literature by investigating the foreign marketing strategies adopted by Kenya Commercial Bank. This was a case study since the unit of analysis is one organisation. This case study aimed at getting detailed information regarding the strategies adopted by Kenya Commercial Bank into the East Africa region. The researcher used both primary and secondary data. Primary data was collected using self-administered drop and pick interview guides while secondary data was collected by use of desk search techniques from published reports and other documents. The respondents of this study were the senior staffs, who include top, middle and lower level managers working at Kenya Commercial Bank. The interview guides were self-administered to give the respondents time to respond to the questions at their convenience, the completed questionnaires were edited for completeness and consistency. A content analysis was employed.

The study found that the bank had plans to enter in another international markets in Africa region as well as beyond the region. The bank intend to use both strategic alliances and foreign direct investments/wholly owned subsidiaries, agencies/franchising/contracts strategies to achieve it objectives. From the findings, the study concluded that the success of foreign market is influenced by export knowledge, commitment, technological superiorities of the exported products and external support programmes such as government assistance influenced. The study recommends the banks to consider the environmental factors when adopting the strategies.
The firms need to consider the capability to fill the gaps left by the other financial organization while entering foreign markets. The level of the operational strategies for the foreign branches need to be increased. The decisions should be made at the host country by the management. The banks should be able to respond to economic environmental changes in the host country. The study recommends banks to come up with Product Differentiation Strategies by segmenting the customers based on their needs, size and type of business and designing products that meet the unique needs of these customer segments and also creating a pricing strategy for each segment.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Commercial banks play an important and active role in the economic development of a country. If the banking system in a country is effective, efficient and disciplined it brings about a rapid growth in the various sectors of the economy. Banks promote capital formation, investment in new enterprises, promotion of trade and industry, development of agriculture, balanced development of different regions, influencing economy activity, implementation of monetary policy, monetization of the economy, export promotion cells.

If the commercial banks are able to increase the amount of money in circulation through credit creation or by lowering the rate of interest, it directly affects economic development. In order to increase the exports of the country, the commercial banks have established export promotion cells. They provide information about general trade and economic conditions both inside and outside the country to its customers. The banks are therefore, making positive contribution in the process of economic development. In achieving this, the banks use different strategies to enter foreign markets in order to diversify their investments. This study was focused on analyzing factors that influence the choice of entry strategies used by the Kenya Commercial Bank (KCB) to enter into the East African Region.

Strategy is depicted as a set of beliefs on how a firm can achieve success (Woods and Joyce, 2003). Arguably strategy is the main route to attain corporate goals and objectives, leading to enhanced long-term performance.
Strategy is much more than beliefs and encompasses a deliberate search for a plan of action that will develop a business's competitive advantage and compound it (Henderson, 1989). Strategies are the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives (Pearce and Robinson, 2005). Therefore it is a reaction to what is happening in the economic environment of organizations. Porter (1980) views operational responses as part of a planning process that coordinates operational goals with those of the larger organization. Hence operational issues are mostly concerned with certain broad policies and policies for utilizing the resources of a firm to the best support of its long term competitive strategy.

According to Ross (1996) the firm has to learn, adopt and reorient themselves to the changing environment. Most importantly, when a discontinuity begins to affect a firm in a turbulent environment, faced with variety of pressures of new challenges brought about by globalization and trade liberalization, its impact, typically remains hidden within the normal fluctuations in performance. Firms therefore, should proactively engage themselves in strategies that will enable them to respond to the environmental challenges in order to gain competitive advantage over their competitors besides the firm's success, and, indeed, even for its continued survival in the market. Ansoff and McDonnell (1990) noted that strategies involve changes in the firm's strategic behaviors to assure success in transforming future environment. Pearce and Robinson (2005) defined strategies as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Therefore, it is a reaction to what is happening in the economic environment of organizations.
International business is one of the primary sources of intercultural interactions that create opportunities for knowledge generation. International companies have the potential to generate and diffuse knowledge within the country where operations are taking place (Barro, 2000). One of the biggest obstacles to development in the poorest countries of the world is the lack of a dynamic learning environment caused in part by the lack of international business activities in these regions. Another aspect of international business that is misrepresented by critics is the increase in variety of products that is made available to the consumers. Empirical evidence shows that globalization is not turning the world into a single marketplace filled with universally accepted goods and services; local differences in consumer tastes and spending patterns are resistant to marketing efforts by large companies. The Kenyan banks such as KCB, entering international markets are faced with various challenges and thus must adopt some strategies to enable a smooth running in the international market.

1.1.1 International Business

An International business can be generally defined as economic activities that organizations engage in the provision of goods or services at cost in two or more countries. An organization is referred to as an international business/organization when it sells goods and services across two or more national boundaries. Some of these organization operate in many countries and are referred to as multinational corporations (MNC’s)/or transnational corporations. Today, most business activities are acknowledged to be international and there is a general expectation that this will continue for the foreseeable future. This broad definition includes the very small firm that exports (or imports) a small quantity to only one other country, as well as the very large global firm with integrated operations and strategic alliances around the world.
Within this broad array, distinctions are often made among different types of international firms, and these distinctions are helpful in understanding a firm's strategy, organization, and functional decisions (for example, its financial, administrative, marketing, human resource, or operations decisions). One distinction that can be helpful is the distinction between multi-domestic operations, and global (harmonized/homogeneous) operations.

The multi-domestic operations have independent subsidiaries which act essentially as domestic firms in each county of operation. The global operations will operate with integrated subsidiaries which are closely related and interconnected (Daniels and Radebaugh, 1997). These can be seen as the two ends of a continuum, with many possibilities in between. Firms are unlikely to be at either end of the continuum. They will often combine aspects of multi-domestic operations with aspects of global operations (Buckley, 2005). International firms may choose to do business in a variety of ways. Some of the most common include exports, licenses, contracts and turnkey operations, franchises, joint ventures, wholly owned subsidiaries, and strategic alliances.

International business grew over the last half of the twentieth century partly because of liberalization of both trade and investment, and partly because doing business internationally had become easier. In terms of liberalization, the General Agreement on Tariffs and Trade (GATT) negotiation rounds resulted in trade liberalization, and this was continued with the formation of the World Trade Organization (WTO) in 1995.

At the same time, worldwide capital movements were liberalized by most governments, particularly with the advent of electronic funds transfers. In addition, the introduction of a new European monetary unit, the Euro, in January 2002 has had a great economic impact in international business.
In terms of ease of doing international business, two major forces are important: first, technological developments which make global communication and transportation relatively quick convenient; and secondly, the disappearance of a substantial part of the communist world, opening many of the world's economies to private business (Punnett and Ricks, 1997).

1.1.2 Strategies used for Entry into International Markets and their Influencing Factors

Because strategy represents the managerial game plan for running an organization, it is nearly always, a blend of prior moves, approaches already in place, and new actions being mapped out. Thompson and Strickland (1993) add that crafting strategy is an exercise in entrepreneurship. Managers face an ever present entrepreneurial challenge in keeping the organization's strategy fresh, responding to new and changing conditions, and steering the organization into the right and most prudent business activities at the right time (Mintzberg, 1987).

Organizations to use different strategies to enter into international market including: - Use of local export to promote entry; Seeking both home and host country government support; foreign direct investment in joint ventures and wholly owned subsidiaries; And collaboration with local financial institutions for purposes of establishing service licenses, contracts and franchises.

Doole and Lowe (2001) suggest a firm's attitude and commitment to international expansion is crucial to the success of the operation. The size of a firm can also hinder or enhance international development as firms rely on the capability of staff for planning. When firms endeavour to commit to international expansion, the lack of consistent information, adaptation of the marketing mix variables and market segmentation are factors which need to be considered in detail.
As the rise of the profit-centre treasury model continues, corporate bodies are increasingly demanding local access to global-standard transaction banking solutions for international reach and enhanced processing efficiency.

Increasingly restrictive credit conditions have seen corporate bodies looking inwards at their own business cycles, for alternative sources of funds (Doole and Lowe, 2001). In order to access and make maximum use of trapped working capital, treasurers need end-to-end transactional visibility and real-time data management for optimum control of what are, for many corporate bodies, complex international supply chains.

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves the transfer of resources including capital, technology, and personnel. Foreign direct investment (FDI) or foreign investment refers to long term participation by country A into country B. It usually involves participation in management, joint-venture, transfer of technology and expertise. Foreign direct investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing.

Increasing trade deficits and other economic problems have forced many countries, as well as regions and states, to develop policies and strategies to encourage non-exporting firms to enter the export field. As well as trying to protect domestic markets, governments try to help domestic companies export to international markets. They regard this as important because companies that trade successfully on international markets tends to be more profitable and innovative. This in turn means that they generate more wealth, employ more people and pay more tax to their governments.
1.1.3 The Kenya Commercial Bank (KCB)

The history of Kenya the Commercial Bank (KCB) dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the bank extended its operations to Nairobi, which had become the headquarters of the expanding railway line to Uganda. The next major change in the bank's history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Upon Kenya's independence in 1963, the Government of Kenya acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government of Kenya acquired 100% ownership of the bank's shares to take full control of the largest commercial bank in Kenya.

National and Grindlays Bank was renamed Kenya Commercial Bank. The Government has over the years reduced its shareholding in KCB to 23%, as of December 2008 (http://www.kcbbankgroup.com/ke/).

In 1972, Savings & Loan (Kenya) Limited was acquired to specialize in mortgage finance. In 1997, another subsidiary, KCB (Tanzania) Limited was incorporated in Dar-es-Salaam, Tanzania to provide banking services and promote cross-border trading. In May 2006 KCB extended its operations to Southern Sudan following licensing by the Bank of Southern Sudan. In November, 2007, the first branch of KCB Uganda Limited opened in Kampala, Uganda following licensing by the Bank of Uganda. In 2008, KCB expanded to Rwanda forming KCB (Rwanda), where the first branch opened in Kigali in December 2008; and KCB (Sudan) was incorporated in December 2005.
The KCB has more than 150 branches throughout Kenya, making it the largest banking network in the region. It has the largest number of own-branded ATMs in Kenya. Since 2004 all of the branches in Kenya have been rebranded as part of a wider corporate branding exercise. KCB has partnered with Pesa Point to increase the number of ATM points customers can access their funds (http://www.kcbbankgroup.com/ke/).

1.1.4 The East African Region and its Market Potential

The East African region or Eastern Africa is the easterly region of the African continent, variably defined by geography or geopolitics. In the UN scheme of geographic regions, 19 territories constitute Eastern Africa region namely: Tanzania, Kenya, Uganda, Rwanda, Burundi, Djibouti, Eritrea, Ethiopia, Somalia (which includes Somaliland), Mozambique, Madagascar, Malawi, Zambia, Zimbabwe, Comoros, Mauritius, Seychelles, Reunion and Mayotte. The study will focus on East Africa which is often used to refer to the area comprising of Kenya, Tanzania, Uganda, Burundi, Djibouti, Eritrea, Ethiopia, Rwanda, Sudan, and Somalia.

East Africa region comprises Kenya, Tanzania, Uganda, Burundi, Djibouti, Eritrea, Ethiopia, Rwanda, Sudan, and Somalia with a total population of 270.9 million people. English and French are widely spoken. Swahili is the most useful language in East Africa.

In Ethiopia, most people speak Amharic, which is indigenous to the nation. Countries in this region belong to different economic blocks.

All countries except for Tanzania are members of the Common Market for Eastern and Southern Africa (COMESA). The Common Market for Eastern and Southern Africa is a free trade area with nineteen member states stretching from Libya to Zimbabwe. COMESA formed in December 1994, replacing a Preferential Trade Area which had existed since 1981.
Nine of the member states formed a free trade area in 2000. COMESA aims at promoting regional economic integration through trade and investment. With its 19 member states, a population of 430 million (2008) and an annual import bill of around US$ 152 billion (2008) and an export bill of over US$ 157 billion (2008), COMESA forms a major market place for both internal and external trading, (http://www.comesa.int/). Tanzania is a member country of Southern Africa Development Community (SADC).

Kenya, Uganda, Djibouti, Ethiopia Sudan, and Somalia are members of Intergovernmental Authority on Development (IGAD). The Intergovernmental Authority on Development (IGAD) in Eastern Africa was created in 1996 to supersede the Intergovernmental Authority on Drought and Development (IGADD) which was founded in 1986.

The IGAD mission is to assist and complement the efforts of the Member States to achieve, through increased cooperation; Food Security and environmental protection; Promotion and maintenance of peace and security and humanitarian affairs; and Economic cooperation and integration.(http://igad.int.)

Kenya, Tanzania, and Uganda, Burundi, and Rwanda are members of the East African Community (EAC). The East African Community (EAC), like other regional economic blocs is focused on widening and deepening the integration process among the five Partner States. The entry point of the integration process of the East African Community is the Customs Union which commenced in 2005 as set out in the Treaty. The Customs Union was implemented progressively over a period of 5 years and attained a free trade regime in January 2010.
The East African Community Common Market Protocol entered into force in July 2010 and the Partner States have embarked on the process of negotiation of the Protocol for the Establishment of the East African Monetary Union.

Findings from the EAC Facts and figures report of 2010 indicate that EAC midyear population was estimated at 129.5 million by June 2009 with average annual growth rate of 2.5 percent down from 2.8 percent in 2007. In aggregate, total GDP for the region amounted to US$ 74,047 million in 2009, compared to US$ 72,998 in 2008. The dominant sector in all the partner states in 2009 was agriculture, followed by wholesale and retail trade and manufacturing (East African Community Facts and Figures - 2010, Arusha Tanzania). The level of market integration within the community is high.

These indicate a huge and well integrated market potential for financial institutions expanding into the region.

1.2 Statement of the Problem

The strategy and industry structure profiles of international new ventures are significantly different from domestic new ventures. Firms pursuing international ventures pursue much broader market-based strategies, seeking a strategy of broad market coverage through developing and controlling numerous distribution channels, serving numerous customers in diverse market segments, and developing high market or product visibility. The international enterprises also emphasize a more aggressive entry strategy, building on outside financial and production resources to enter numerous geographical markets on a large scale.
Securing patent technology is also an important component of their strategy (Frishammar, 2003). This suggests that the internationals compete by entering the industry on a large scale, seeking to penetrate multiple markets, with the recognition that external resources are necessary to support such an entry.

Whereas both the domestic firms and the international firms characterize domestic competition as being relatively intense, the international new ventures compete in industries with higher levels of international competition. It is not clear from this research whether the new venture selects an industry with a high degree of international competition and therefore responds with an international orientation or, because the new venture has an international orientation; it perceives or recognizes a higher degree of international competition.

It is unclear whether this restrictiveness motivates new ventures to seek less-regulated international environments or if it indicates that when competing internationally, the new venture is confronted with increased regulatory requirements (Buckley, 1995). The customer specialization strategy incorporates the production of a specialty product that is purchased infrequently (Bruce and Langdon, 2000). Thus, for successful domestic strategies, a consistent "closeness" between the producer and consumer is implied. This may be an important basis underlining the new venture's decision to compete in an exclusive domestic context. To survive in such an environment, the firm has to adopt strategies and come up with competitive strategies for dealing with the environment (Mugambi, 2003).

Locally, studies on strategies and specifically on entry strategies have been done. Henry, (1997) did a study on strategies by firms facing changed environmental conditions a case of motor vehicle franchise holders in Kenya.
Abdullahi, (2000) did a study of the strategies by Kenyan insurance Companies following liberalization and Goro, (2003) did a survey study on strategies of commercial banks to the threat of Substitute products. Mutua, (2004) did a survey of responses to changing environmental conditions which was a case of UON. Kashero, (2008) studied the strategies to changing environment at Lloyd Masika. Maina, (2008) did a research on the strategies to changing environmental conditions which centered its focus on Central Bank of Kenya. Further, researchers have also focused on the foreign market entry e.g. Kieti (2007) did a study on the determinants of foreign entry strategies a case of Kenyan firms venturing into Southern Sudan while Mulongo (2008) did a study on change of foreign entry strategies for global firms a case of Ericsson Kenya. To the best of the researchers' knowledge, no study has focused on the factors that influence the choice of entry strategies.

This study focused on the factors influencing strategy development and strategies for local banks entering international market with the main focus on the Kenyan owned banks in general and KCB in particular. KCB has interests in international market and is involved in the service provision in Tanzania, Uganda, Rwanda and Southern Sudan.

1.3 Objective of the Study

The objective of this study was to analyze factors that influence the choice of entry strategies by KCB into the East Africa region.
1.4 Importance of the Study

The findings of this study will be of significance to the following groups: KCB, which is already entering in the international market, and may adopt the various outcomes of the study with the aim of strategically positioning itself in the international market; Banking industry, which is directly affected by the dynamic business environment and competition locally and internationally; Scholars who will use it for further research in the same area/or related field and for teaching in universities and other institutions of learning; and the government and corporate policy makers who might be interested to know the influencing factors and their effect in strategy developed and adopted local banking companies in Kenya towards entering international markets.
CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. The materials are drawn from several sources which are closely related to the theme and the objectives of the study.

2.1 International Business

International business is a term used to collectively describe all commercial transactions (private and governmental, sales, investments, logistics, and transportation) that take place between two or more nations. Usually, private companies undertake such transactions for profit; governments undertake them for profit and for political reasons (Daniels, Radebaugh and Sullivan, 2007). It refers to all those business activities which involves cross border transactions of goods, services, resources between two or more nations.

International business may be defined simply as business transactions that take place across national borders. This broad definition includes the very small firm that exports (or imports) a small quantity to/from only one country, as well as the very large global firm with integrated operations and strategic alliances around the world (Grant, 2000). One distinction that can be helpful is the distinction between multi-domestic operations, and global (harmonized/homogeneous) operations.

The multi-domestic operations have independent subsidiaries which act essentially as domestic firms in each county of operation. The global operations will operate with integrated subsidiaries which are closely related and interconnected (Daniels and Radebaugh, 1997).
These can be seen as the two ends of a continuum, with many possibilities in between. Firms are unlikely to be at either end of the continuum. They will often combine aspects of multi-domestic operations with aspects of global operations (Buckley, 2005). International firms may choose to do business in a variety of ways. Some of the most common include exports, licenses, contracts and turnkey operations, franchises, joint ventures, wholly owned subsidiaries, and strategic alliances.

International business grew over the last half of the twentieth century partly because of liberalization of both trade and investment, and partly because doing business internationally had become easier.

2.2 Foreign Market Entry Strategies

There are several entry strategies that companies choose to enter into an international market. They include collaboration with local financial institutions, use of local expertise, foreign direct investments and seeking government support.

2.2.1 Collaboration with local Financial Institutions and Local Expertise

Corporates are looking to their local banks for dependable solutions since the crisis and a new approach to financial institution partnership models can generate greater value (Kotabe and Helsen, 2001). Ozsomer and Prussia, (2000) found that a client-driven, mutually beneficial partnership approach, evolving into a globally-reaching ecosystem of capabilities and value, is a model well-suited to the circumstances of the global business environment - and even better suited to the post-crisis realities as they are taking shape today.
At the same time, traditional partnership approaches no longer fully respond to evolving end-user needs, as they do not capitalize on the value that local banks can bring to a modern working capital cycle.

As the rise of the profit-centre treasury model continues, corporates are increasingly demanding local access to global-standard transaction banking solutions for international reach and enhanced processing efficiency. Increasingly restrictive credit conditions have seen corporates looking inwards at their own business cycles, for alternative sources of funds (Doole and Lowe, 2001). In order to access and make maximum use of trapped working capital, treasurers need end-to-end transactional visibility and real-time data management for optimum control of what are, for many corporates, complex international supply chains. In addition to this, they need services that provide international reach and which are geared towards helping companies reach their individual goals.

By collaborating, smaller institutions can make use of a global provider's capabilities, in a way that is tailored to the evolving needs of their end-user clients (Thompson, 2007). This joint approach also goes a step further to combine local and global best practice solutions to overcome the ongoing consequences of the global economic crisis. While partnership between financial sector services providers is not a new concept, the study sets out to establish if a more collaborative, value-based partnership model, called the "manufacturer-distributor" model, has the potential to generate greater value for participating institutions, while remaining directly linked to the evolving needs of end-clients worldwide.
2.2.2 Foreign Direct Investment

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves the transfer of resources including capital, technology, and personnel. Direct foreign investment may be made through the acquisition of an existing entity or the establishment of a new enterprise (Grant, 2000). Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment. However, it requires a high level of resources and a high degree of commitment.

Foreign direct investment (FDI) or foreign investment refers to long term participation by country A into country B. It usually involves participation in management, joint-venture, transfer of technology and expertise. There are two types of FDI: inward foreign direct investment and outward foreign direct investment, resulting in a net FDI inflow (positive or negative) and "stock of foreign direct investment", which is the cumulative number for a given period.

FDIs enable growth the international business and multinational businesses (Hill and Jones, 2001). Different economic factors encourage inward FDIs. These include interest loans, tax breaks, grants, subsidies, and the removal of restrictions and limitations. Factors detrimental to the growth of FDIs include necessities of differential performance and limitations related with ownership patterns. Foreign direct investment (FDI) plays an extraordinary and growing role in global business. It can provide a firm with new markets and marketing channels, cheaper production facilities, access to new technology, products, skills and financing.
For a host country or the foreign firm which receives the investment, it can provide a source of new technologies, capital, processes, products, organizational technologies and management skills, and as such can provide a strong impetus to economic development (Daniels, Radebaugh and Sullivan, 2007). Foreign direct investment, in its classic definition, is defined as a company from one country making a physical investment into building a factory in another country. The direct investment in buildings, machinery and equipment is in contrast with making a portfolio investment, which is considered an indirect investment.

In the past decade, FDI has come to play a major role in the internationalization of business. Reacting to changes in technology, growing liberalization of the national regulatory framework governing investment in enterprises, and changes in capital markets profound changes have occurred in the size, scope and methods of FDI. New information technology systems, decline in global communication costs have made management of foreign investments far easier than in the past. The sea change in trade and investment policies and the regulatory environment globally in the past decade, including trade policy and tariff liberalization, easing of restrictions on foreign investment and acquisition in many nations, and the deregulation and privatization of many industries, has probably been the most significant catalyst for FDI's expanded role (Buckley, 2005).

2.2.3 Seeking Government Support

Increasing trade deficits and other economic problems have forced many countries, as well as regions and states, to develop policies and strategies to encourage non-exporting firms to enter the export field.
For example, the state of Wisconsin is considering a variety of export stimuli to help infrequent exporters increase the number and value of their shipments (Wisconsin Export Strategy Commission 1995). Several studies have been conducted on the many aspects of export stimulation programs. They have shown that smaller-sized firms in particular could benefit from export assistance programs (Cavusgil, 1994). As well as trying to protect domestic markets, governments try to help domestic companies export to international markets.

They regard this as important because companies that trade successfully on international markets tends to be more profitable and innovative. This in turn means that they generate more wealth, employ more people and pay more tax to their governments. Though governments support the import of needed raw materials, they generally place heavier emphasis on exporting, because it brings needed foreign exchange and stimulates job expansion. Many developing country governments are just beginning to focus on how to support service exporters in order to increase foreign exchange earnings from service exports and benefit from the domestic job creation that occurs.

The government provides support designed to be specifically tailored to the organization needs. Frishammar (2003) recognizes that a whole government approach is required where the government is very clear about the company reasons for intervening and where they focus on policies and actions that have the widest impact.

2.3 Factors that Influence the Choice of Foreign Market Entry Strategies

When a company decides to enter foreign markets, it must choose an entry strategy. Many strategies exist with differing levels of company involvement. The level of involvement is positively related to the level of risk and control a company wishes to undertake.
Several criteria should be considered before selecting the appropriate market entry method. According to Doole and Lowe (2001) company objectives and expectations, size and financial resources, existing foreign market involvement, skills, abilities and attitudes of management, the nature and power of the competition, the nature of the product or service itself and the timing of the move relative to competitors should be considered. Doole and Lowe (2001) contend "the nature, size and structure of the market will be significant in determining the method adopted. Companies wishing to pursue a long-term position in a foreign market need to be more proactive in their approach to market entry by becoming directly involved.

However, a long term investment and commitment is needed from the firm to sustain foreign market activity. Due to the high cost and risk involved in direct exporting, Doole and Lowe (2001) suggest moving from an indirect approach gradually. The authors suggest establishing a beach head as an initial step in their exporting strategy. The beach head concept involves establishing operations in a relatively low key market, becoming a market follower, gaining the appropriate experience and then advancing through a more aggressive strategy.

Doole and Lowe (2001) suggest a firm's attitude and commitment to international expansion is crucial to the success of the operation. The size of a firm can also hinder or enhance international development as firms rely on the capability of staff for planning. When firms endeavour to commit to international expansion, the lack of consistent information, adaptation of the marketing mix variables and market segmentation are factors which need to be considered in detail. The host country's government can have a proactive role to play in setting legislation and creating barriers to entry for international firms which may either support or impede a firm's market entry strategy.
Management contracts usually involve selling the skills, expertise and knowledge of firms in an international context. The internationalisation of services is evident here. The contracts undertaken are usually those for installing management operating and control systems and the training of local staff to take over when the contractors are finished (Doole and Lowe, 2001; Paliwoda and Thomas, 1998). With government intervention initiating the deregulation of several industries, privatisation and outsourcing has become particularly evident in an international setting. Doole and Lowe (2001) outline the importance of "turnkey operations" as effective methods for setting up, running and training staff abroad to operate a processing plant before returning to the home country again. In order to remain competitive and avoid becoming a market follower, firms must be proactive rather than reactive in their approach to internationalisation. Market research, to identify the markets with the best fit and greatest potential, must be conducted prior to any direct or indirect investment in global ventures. Not every form of market entry strategy is suitable to every firm. Firms must consider their objectives, size, level of available resources and level of control and commitment they wish to exert, when deciding which form of market entry strategy to use when entering a foreign market. In this case many other factors should be considered when undertaking to expand geographically, for example, an extensive internal and external environmental analysis should be conducted to identify the strengths of the firm and match these to the viable opportunities that exist in an international market.

Developing the initial market/product dimensions of internationalization further with the pattern of entry modes introduced by Luostarinen (1979) and Welch and Luostarinen (1993), authors suggest adding another pattern, namely the time pattern.
When Luostarinen (1979) started to develop the internationalization theories, most companies entered international markets incrementally, step by step, after having operated for a few years in home markets. Even in those times there were exceptions (Luostarinen, 1979) where companies started their internationalization very soon after their inception, but these companies were very few. Since then, many things have changed and the number of companies entering foreign markets very soon after to their inception has been increasing rapidly. Oviatt and McDougall (1994) called them international new ventures.

The time dimension of internationalization is crucial as it represents a bridge between incremental internationalization and internationalization at inception (Antoncic & Hisrich, 2000) and a strategic choice in decision-making regarding the decision for entry and exit from specific markets (internationalization - de-internationalization).

2.4 Conceptual Framework

This study focuses on the relationship between the entry strategies and their influencing factors used by KCB in entering the East African Region which will act as the independent Variable and its choice of entry strategies which will act as the dependent Variable.
<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Objectives, expectations, size and financial resources</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>Existing foreign market involvement skills, ability, and attitude</td>
<td>Collaboration with local financial</td>
</tr>
<tr>
<td>Level of risk and involvement</td>
<td>Use of Local Expertise and local human resource</td>
</tr>
<tr>
<td>Nature and power of the competitors</td>
<td>Seeking Government Support</td>
</tr>
<tr>
<td>Timing of the move relative to competitors</td>
<td>Choice of Entry Strategy</td>
</tr>
</tbody>
</table>

Source: Author (2011)

Figure 1. Conceptualized relationships among variables
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that will be followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research question. In this stage, most decisions about how research will be executed and how interviewees will be approached, as well as when, where and how the research will be completed. Therefore in this section the research identifies the procedures and techniques that will be used in the collection, processing and analysis of data. Specifically the following subsections will be included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

This research adopted a case study approach. A case study enables the researcher to have an in-depth understanding of the behavior pattern of KCB. A case study design is most appropriate where a detailed analysis of a single unit of study is desired as it provides focused and detailed insight to phenomenon that may otherwise be unclear. The importance of a case study is emphasized by Young (1960) and Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. It's a method that drills down, rather than cast wide.
This is aimed at getting detailed information regarding the strategies in entering international markets by local banks. Kothari, (2004) noted that a case study involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from such a study is more reliable and up to date.

3.3 Data Collection Procedure

The researcher used both primary and secondary data. Primary data was collected using self-administered interview guides while secondary data was collected by use of desk search techniques from published reports and other documents. Secondary data included the companies' publications, journals, periodicals and information obtained from the internet and company website.

The interview guides consisted of open-ended questions. The open-ended questions enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study. The interview guides designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the interviewees. The second part was devoted to the identification of the entry strategies and factor that influence these strategies where the main issues of the study was put into focus. The interviewees of this study were the senior staffs, who included managers across all departments working in KCB. These included managers in the offices of the Deputy CEO- of Group Business and Group controls, and their Divisional Directors' offices.
3.4 Data Analysis

After the interview guides/notes were edited for completeness, the data which was qualitative in nature was analyzed using conceptual content analysis which was best suited method of analysis. Content analysis is defined by Nachmias and Nachmias (1996) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends. According to Mugenda and Mugenda (2003) the main purpose of content analysis is to study existing information in order to determine factors that explain a specific phenomenon. The content analysis was used to analyze the interviewees' views about the factors that influenced their choice of strategies and also on the strategies used entering international markets by KCB. Data was then be presented in a continuous prose as a qualitative report on the strategies in entering international markets.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on to establish the factors that influence the choice of entry strategies by KCB into the East Africa region. The data was gathered exclusively from the questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study.

4.1.1 Response Rate

The study targeted the senior staffs, which included managers across all departments working in KCB. These included managers in the offices of the Deputy CEO- of Group Business and Group controls, and their Divisional Directors' offices. All the targeted respondents were reached and this make a 100% response rate.

4.2 Demographic Information

The study sought to find out the respondents' position in organisation. From the findings, the respondents were managers in the office of directors and deputy CEO.

The study sought to find out the branch/department the respondents worked at in the organization. Different departments have different roles in entry strategies formulation and implementation. This provide the implementers with wealth of knowledge for decision making.
The study sought to find out whether the interviewee was involved in strategy formulation and implementation. The interviewees indicated that they were involved in strategy formulation and strategy implementation.

The study sought to find out the offices/department/section that the managers were responsible for. The managers were responsible for decision making on international expansion and coordination of management of the foreign branches on issues to do with branch networks and expansion.

4.3 Identification of the Entry Strategies and Factor That Influence these Strategies

There are several entry strategies including strategic alliances, Joint Ventures, foreign direct investments/wholly owned subsidiaries, agencies/franchising/contracts. The factors that guided the entry strategy were compliance with the rules and regulations of the host company. The specific strategies used to enter into and expand market were adoption of IT, product differentiation and avoidance strategy.

The study sought to find out the motivates KCB to move to the international market. KCB was motivated to move to the international marketing by availability of market in other countries and a niche which existed in other countries especially those in Africa region.

The study sought to find out the whether the bank had plans to enter another market in the near future. The bank had plans to enter in another market. The bank will use foreign direct investments/wholly owned subsidiaries and agencies/franchising/contracts.
This is by avoiding direct effects of environmental changes and switching into market segments that are less affected. Such a move constitutes a defensive strategy which is only possible if similar but more attractive niches exist in the market.

The study sought to find out the main environmental factors that influenced the bank strategy development. The bank faced a crisis of reduction in sales which made them develop the strategies to be able to maintain and maximize long-term effectiveness. There was need for the organization to develop the capability not only to cope with daily events in the environment, but also to cope with external events that were both unexpected and of critical importance (crises). KCB must consider studying the environment of the host country before development or approval of any foreign market policy.

The study sought to find out if the local market penetration strategies followed the same process. From the findings local market penetration strategies followed the same process.

The most crucial decision for a firm's success in the foreign market was capability to fill the gaps left by the other financial organization. This can be achieved by providing quality services and being efficient.

The study sought to find out the level of management that the decision on the overall entry strategy is made. The decision was made at the high management level by the managers who reach an agreement and the board members.

The study sought to find out the level of the operational strategies for the foreign branches. The level of the operational strategies for the foreign branches was moderate. The decisions are made at the host country by the management.
The study sought to find out the basic approach to foreign market employed by the bank. The bank responded to and operated on the contexts in which it was embedded. The environmental context in turn, rendered experiences for learning. Additionally, through the processes of selection, the context limited the strategy space of an organization as it responded to crisis situations.

The study sought to find out how fast the bank was responsive to economic environmental changes in the host country. The bank responded to economic environmental changes in the host country immediately.

The study sought to find out the foreign market practices adopted by the bank. The bank adopted the interest rates charged on the credit offered to clients. This depended on the culture and religion of the host country for example the muslim religion.

The study sought to find out the environmental and socio-cultural considerations for the host country and local surrounding of the foreign branches. KCB has come up with Product Differentiation Strategies by segmenting the customers based on their needs, size and type of business and designing products that meet the unique needs of these customer segments and also creating a pricing strategy for each segment.

To the question on whether Central Bank of Kenya assisted Kenyan banks when moving international. CBK assisted Kenyan banks when moving international by carrying out negotiations with the host country and providing finance in form of loans.
The study sought to find out whether the Central Banks of the host countries assisted foreign banks when moving international. Central Banks of the host countries assisted foreign banks when moving international by offering capital.

The study sought to find out the other strategies adopted by the bank in order to succeed in the foreign market. KCB adopted IT and high quality products.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the summary of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn are in quest of addressing the research question or achieving at the research objective which is the establish the factors that influence the choice of entry strategies by KCB into the East Africa region.

5.2 Summary of Findings

The study analyzed the factors that influenced the choice of entry strategies by KCB into the East Africa region. The study found that there were several entry strategies including strategic alliances, Joint Ventures, foreign direct investments/ wholly owned subsidiaries, agencies/franchising/contracts used by KCB to enter into foreign market. KCB was motivated to move to the international marketing by intense competition in the local market, availability of market in other countries and a niche which existed in other countries especially those in Africa region.

The study found that the bank had plans to enter in another international markets in Africa region as well as Abroad. The bank intend to use both strategic alliances and foreign direct investments/ wholly owned subsidiaries, agencies/franchising/contracts strategies to achieve it objectives.
The main environmental factors that influenced the bank strategy development. The bank is faced by a reduction in sales and increase in operational costs which made them develop the strategies to be able to maintain and maximize long-term effectiveness. KCB considers studying the environment of the host country and conducting a SWOT analysis before development or approval of any foreign market policy. The most crucial decision for a firm's success in the foreign market was capability to fill the gaps left by the other financial organization in provision of financial solutions to respective countries.

The decision was made at the high management level by the senior managers who reach an agreement and the board members. The level of the operational strategies for the foreign branches was moderate. The decisions are made at the host country by the management. The bank responded to and operated on the contexts in which it was embedded. The bank responded to economic environmental changes in the host country immediately. The bank adopted the interest rates charged on the credit offered to clients. This depended on the culture and religion of the host country for example the muslim religion.

To the question on environmental and socio-cultural considerations for the host country and local surrounding of the foreign branches. The study found out that KCB had come up with product differentiation strategies by segmenting the customers based on their needs, religion, size and type of business and designing products that meet the unique needs of these customer segments and also creating a pricing strategy for each segment thus creating a niche market for every product.
To the question on whether Central Bank of Kenya (CBK) assisted Kenyan banks when moving international. The respondents confirmed that CBK assist Kenyan banks when moving international by carrying out negotiations with the host country and providing finance in form of loans and valuable advice on monetary state of the potential market. Central Banks of the host countries assisted foreign banks when moving in by offering capital. The other strategies adopted by the bank in order to succeed in the foreign market included KCB adoption to Information Technology and high quality services products.

5.3 Conclusions

The most powerful tactic for financial institutions growth in the 21st century is through product differentiation, flexible organization structures that are responsive to the customers needs and market expansion. KCB has exemplary growth in terms of profitability and customer base due to the proper allocation of resources, creativity and adoption of modern technology and market expansion.

Corporate bodies are looking to their local banks for dependable solutions and a new approach to financial institution partnership models can generate greater value. As the rise of the profit-centre treasury model continues, corporate clients are increasingly demanding local access to global-standard transaction banking solutions for international reach and enhanced processing efficiency.

The study concludes that there were several entry strategies including strategic alliances, Joint Ventures, foreign direct investments/wholly owned subsidiaries, agencies/franchising/contracts used by KCB to enter into foreign market.
KCB was motivated to move to the international marketing by availability of market in other countries and a niche which existed in other countries especially those in Africa region.

The study concludes that the bank had plans to enter in other markets. Environmental factors that influenced the bank strategy development; the bank faced a crisis of reduction in sales which made them develop the strategies to be able to maintain and maximize long-term effectiveness. The most crucial decision for a firm's success in the foreign market was capability to fill the gaps left by the other financial organization.

The decision was made at the high management level by the senior managers who reached an agreement. The level of the operational strategies for the foreign branches was moderate. The decisions were made at the host country by the management. The bank responded to and operated on the contexts in which it was embedded. The bank responded to economic environmental changes in the host country immediately. The bank adopted the interest rates charged on the credit offered to clients. This depended on the culture and religion of the host country for example the muslim religion.

The study concludes that KCB had come up with product differentiation strategies by segmenting the customers based on their needs, size and type of business and designing products that meet the unique needs of these customer segments and also creating a pricing strategy for each segment. The Central Bank of Kenya (CBK) assisted Kenyan banks when moving international by carrying out negotiations with the host country and providing finance in form of loans. Central banks of the host countries assisted foreign banks when moving international by offering capital. The other strategies adopted by the bank in order to succeed in the foreign market. KCB adopted Information Technology and high quality products.
5.4 Recommendation

From the discussions and conclusions in this chapter, the researcher recommends various banks to consider venturing in foreign market. To ensure successful entry the banks need to adopt several entry strategies including strategic alliances, Joint Ventures, foreign direct investments/wholly owned subsidiaries, agencies/franchising/contracts.

The study recommends that the banks to consider the environmental factors when adopting the strategies. The firms need to consider the capability to fill the gaps left by the other financial organization while entering foreign markets.

The level of the operational strategies for the foreign branches need to be increased. The decisions should be made at the host country by the management. The banks should be able to respond to economic environmental changes in the host country.

The study recommends banks to come up with Product Differentiation Strategies by segmenting the customers based on their needs, size and type of business and designing products that meet the unique needs of these customer segments and also creating a pricing strategy for each segment. The Central Bank of Kenya (CBK) need to assist Kenyan banks when moving international.

5.5 Area for Further Research

The researcher recommends that a similar study be done on other companies in the banking industry so as to find out how other banks also respond to the factors that influence the choice of entry strategies by the banks into the East Africa region.
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APPENDIX I: INTERVIEW GUIDE

PART A: Demographic and Operational Characteristics

1. Name of interviewee:

2. Position in organisation

3. Branch/department/section

4. Is interviewee involved in: -
   a. Strategy formulation (Yes) / (No)
   b. Strategy implementation (Yes) / (No)

5. Offices/department/section and the managers responsible for
   a. Decision making on international expansion
   b. Coordination and management of the foreign branches

PART B: Identification of the Entry Strategies and Factor That Influence these Strategies

1. There are several entry strategies including strategic alliances, Joint Ventures, foreign direct investments/wholly owned subsidiaries, agencies/franchising/contracts e.t.c.; What factors guided your entry strategy and what specific strategies did you use to enter into and expand in:
   a. Tanzania?
   b. Uganda?
   c. Rwanda?
   d. Southern Sudan?
2. What motivates KCB to move to the international market?

3. Do you have plans to enter another market in the near future and what strategy will guide the entry?

4. What is the main environmental factors that influence your strategy development. What must be considered before development or approval of any foreign market policy?
5. Do the local market penetration strategies follow the same process?

6. What is considered to be the most crucial decision for a firm's success in the foreign market?

7. At what level of management is the decision on the overall entry strategy made, who makes the decision?

8. At what level are the operational strategies for the foreign branches made, who makes/ratifies the decision/ (are they made in Kenya or at the host country)?

9. Which is the Basic approach to foreign market employed by your bank?
10. How fast are you responsive to economic environmental changes in the host country?

11. What are the foreign market practices adopted by your company?

12. What are the environmental and socio-cultural considerations for the host country and local surrounding of your foreign branches?

13. Does the Central Bank of Kenya assist Kenyan banks when moving international and what kind of assistance does it give?
14. Do the Central Banks of the host countries assist foreign banks when moving international and what kind of assistance does it give?

13. What are the other strategies adopted by your company in order to succeed in the foreign market?