

**THE EFFECT OF CROSS CULTURAL MANAGEMENT
PRACTICES ON INTERNATIONAL OPERATIONS OF
KENYA COMMERCIAL BANK LIMITED**

BY:

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DECLARATION

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

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

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DEDICATION

I dedicate this project to my parents, brothers and sisters for their support and encouragement while pursuing my studies.

ACKNOWLEDGEMENT

I want to acknowledge the grace of God that has brought me this far as far as my studies are concerned. I also want to acknowledge the support and guidance I received from my supervisor Dr. John Yabs. His input was very significant in enabling me to complete this research project. I also appreciate the encouragement I received from friends during this duration.

ABSTRACT

The aim of this study was to establish the effect of cross cultural management practices on international operations in Kenya commercial bank limited. The study employed a case study research design since it was focusing on Kenya commercial bank limited. The case study was considered appropriate since it enabled the researcher to conduct an in-depth investigation on the matter. Data was collected from senior managers firm various departments in the organization through an interview guide. Content analysis was applied in making inferences from the data that was collected.

The results indicate that the bank expanded its operations to the countries above because of the need to achieve its vision of becoming the preferred provider of banking services in the region. This was the main driver behind its regional expansion. The other reason for expansion is the availability of resources. Kenya Commercial Bank is the largest bank asset base in the region and also in profitability. The availability of resources gave the bank the momentum to expand its services to other countries within the region.

The study was able to reveal that culture plays a very paramount role in internationalization of any business. For the case of KCB, culture guided the bank on the activities to do and those the bank could avoid. Since culture is the way of life of the people in host countries, it assisted the bank to understand the people and their way of life. This understanding was very central in establishing a firm business foundation that recognized and respected the values of the people in the host country.

The findings also reveal that Kenya Commercial Bank Limited handles cultural issues with a lot of seriousness since they form the foundation of successful foreign subsidiaries.

The study confirmed that culture defines people hence a clear understanding of their culture will determine the whether the bank succeeds in its foreign subsidiaries. The study recommends that important for firms expanding into the international market to give cross cultural issues the attention they deserve. This will enable them to build a strong foundation that shuns cultural conflicts and has the ability of propelling the business to higher levels of success.

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LIST OF ABBREVIATIONS

CBK:	Central Bank of Kenya
FMCG:	Fast Moving Consumer Goods
KBA:	Kenya Bankers Association
KCB:	Kenya Commercial Bank

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The business environment is going through rapid transformation in this age of globalization. The number of companies with international operations is increasing since the world is opening up to foreign firms. Because of these developments, contemporary firms that operate in the international market have greater challenges than before. This means that when a firm plans to internationalize, it must be ready to tackle a number of obstacles that are predominant in the international environment for it to achieve success in a foreign market (Deari et al., 2008).

There are several obstacles firms must address in an international arena as they implement their internationalization strategies. These obstacles include government regulations of a foreign country, political environment in the new country, foreign currency differences and fluctuations as well as cultural differences. Deari et al. (2008) assert that culture has the ability of influencing any given business in diverse ways. For instance Language problems, challenges in pricing of products and culture clashes are very frequent happenings in the initial stages when a company enters a foreign market. The survival of a company will therefore depend on how well it is able to handle the immediate challenges in a manner that is satisfactory. Firms entering foreign markets must understand that it is a very expensive undertaking to correct mistakes once they occur. It is therefore necessary for internationalizing firms to approach cultural issues in a foreign country with utmost caution since different cultures have different methods of conducting business transactions.

It is therefore worth noting that cultural differences are important factors internationalizing firms must take into account when expanding their operations into foreign markets. Internationalizing firms can only succeed in foreign markets if they are able to cultivate harmonious cross border relations that surpass cultural differences. They must also avail products that are allied to the cultural sensitivity of the new or foreign market they are targeting. The firms must also develop communication channels that meet cultural standards of their intended foreign markets. These are very important practices for foreign companies that need to succeed in markets away from their native countries (The Economist, 2012).

1.1.1 The Concept of International business

According to Cavusgil et al (2010) international business is the performance of trade and investment activities across national boundaries. Companies perform various activities in more than one country such as manufacturing, selling or even sourcing. They further argue that the main force behind the development of international business is the concept of globalization. Technology has made it possible to access various markets in the globe within a very short time. This has largely influenced companies to expand their market share to other countries other than the parent country. Cavusgil et al. (2010) further indicate that companies can do international business through methods such as exporting, foreign direct investment, franchising or even licensing.

Luo (2009) asserts that any company that wants to venture into international business needs to conduct a risk assessment. This will help the company to get prior knowledge of the risks that are ahead and make necessary adjustments. He further argues that some

companies usually venture into international business because they perceive some opportunities in the international market. Emerging economies are very good examples of countries that provide a number of opportunities to multinational organizations.

1.1.2 The Concept of internationalization

The concept of internationalization is an important aspect of foreign trade and branch of the national economy that is an important factor of economic growth caused by the internationalization of business and determining for the process of globalization. International business development tends to become a condition of existence of firms, regardless of size or scope of activity and the consequence is that the internationalization and globalization constitute the fundamental features of contemporary business organizations. The internationalization of business transactions which is also understood as the pursuit of such activities across national borders is not a new phenomenon in the global economy, but rather a concept that has been in existence over a long period of time. For example after the Second World War, it has taken unprecedented boom under the momentum of several factors, such as: postwar reconstruction process, the institutionalization of international economic relations, progressive reduction of barriers to trade flows and international financial, cost of transport and communications, technical arrangements of transport, expanding transnational business (Dumitru, 2003).

Regardless of size or scope of the entities in which they operate, business development worldwide tends to become a condition of existence for companies and business strategy must respond to the demands of globalization. The evolution of contemporary society, characterized by increased freedom of action, gives to entrepreneurs a wide field of functional integration in the foreign trade of the European Union and internationally

frame. In the current context of globalization of world economy, functioning and coordinated on sustainable development of economic systems involve, necessarily, to obtain the highest results and meeting the needs of present without compromising the ability of national economies to meet/satisfy their own requirements in the more or less removed future.

Lucia (2009) defines globalization as the very dynamic process of growth of the national linkages, as a result of enlargement and deepening of transnational linkages increasingly broad into diverse life spheres of economic, political, social and cultural rights, and having the implication the fact that problems become global rather than national, and their solving must be appropriate Addressed from economic and financial point of view, the globalization can be defined as the widening and strengthening of links between national economies on the global market of goods, services and especially capitals. A similar definition is presented in a report in 1997 of the International Monetary Fund, that: "the phenomenon of globalization is the integration of world economy in strong growth both with the markets for goods and services and the capital.

1.1.3 Cross Cultural Differences

According to Schwartz and Boehnke's (2004) culture refers to values that are held by members of a given society. These values are known to differ from one society to another and they are even more pronounced among nations. Hofstede (1984, P.21) also defines culture as 'the collective programming of the mind that distinguishes the members of one human group from another'. Routamaa & Mohsin (2007) defined culture as 'that complex whole that includes knowledge, beliefs, art, laws, custom, and any other capabilities and

habits acquired by man as a member of society'. Fundamental webs of culture constitute patterned ways of thinking, acting, feeling, and interpreting. Culture is not universal across societies hence the existence of diversities.

Cross cultural differences can be seen in a broad range of beliefs and behaviours found on a daily basis in the workplace. Several management thinkers such as Geert Hofstede, Fons Trompenaars and Edward T. Hall, have formulated frameworks which attempt to measure how each national culture fits into this complex spectrum. Such frameworks can help international managers to anticipate and then solve possible conflict caused by misunderstandings between various cultures. A manager has to get the best out of people, and therefore needs to know that an individual's cultural background will strongly influence the way they respond (The Economist, 2012).

Geert Hofstede's framework, the most widely known, improves on key cultural differences such as the various attitudes towards hierarchy or uncertainty, or the extent to which a society or community values individual achievement on the one hand, or long-term loyalty to a collective group on the other. Scores on the various dimensions of the framework vary hugely. For example, workers in Asia, Africa, Latin America and the Arab world are likely to show much more deference to their manager than their counterparts in countries such as Denmark, Israel and Austria, where subordinates tend to want to be frequently consulted by those above them in the hierarchy (Routamaa & Mohsin, 2007).

1.1.4 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 CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. As at December 2008 there were forty six banking and non bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. 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 (PriceWaterHouse, 2012).

Over the last few years, the Banking sector in Kenya has continued growth in assets, deposits, profitability and products offering. The growth has been mainly underpinned by; an industry wide branch network expansion strategy both in Kenya and in the East African community region, automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the market (PriceWaterHouse, 2012).

1.1.5 Kenya Commercial Bank

The history of KCB dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the Bank extended its operations

to Nairobi, which had become the Headquarters of the expanding railway line to Uganda. The next major change in the Bank's history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Upon independence the Government of Kenya acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank (www.kcb.co.ke).

The Government has over the years reduced its shareholding to 35% and more recently to 26.2% following the rights issue exercise in 2004, which raised kshs 2.45 billion in additional capital for the bank. In the second Rights Issue exercise held in the year 2008, the Government further reduced its shareholding to 23.1% after raising additional capital for kshs 5.5billion. The bank conducted the third Rights Issue exercise in 2010, in which the Government further reduced its shareholding to 17.74% after raising additional capital of Kshs 12.5billion. In 2010 S&L was merged with KCB providing access to mortgage finance through the bank's wide branch network (Kagabo, 2012). Kenya commercial bank is among the Kenyan commercial banks that have crossed the national boundaries to establish subsidiaries within the East African region.

In 1997 the bank opened a subsidiary, Kenya Commercial Bank (Tanzania) Limited which was incorporated in Dar-es-Salaam, Tanzania to provide banking services and promote cross-border trading. Since then, the subsidiary has 11 branches. In pursuit of its Vision: To be the preferred financial solutions provider in Africa with a global reach by 2013, in May 2006 KCB extended its operations to Southern Sudan to provide conventional banking services. The subsidiary has 11 branches. The bank has subsidiaries

in Rwanda, Uganda and in Burundi. (www.kcb.co.ke). The bank has successfully managed to establish its presence among international markets with diverse cultures hence the reason why it will be an important case study.

1.2 Research Problem

Increasing international business, foreign direct investments, expatriates' work and any international cooperation require understanding of differences between cultures. For example business negotiations, expatriate professionals, management of foreign personnel, and running cross-cultural teams presuppose a good knowledge of cultural differences. However, research on expatriates indicates that failed expatriate assignments are still costly and numerous. Along with globalization, values from a cross-cultural perspective have awakened great interest in recent years. Value types and work goals of people differ in different cultures. Knowing the relationship between values and cultures can assist the business person or traveler in better understanding the intercultural differences within regions (Routamaa & Hautala, 2008). This understanding is crucial in making internationalization ventures successful.

Kenya Commercial Bank group is among the commercial banks in Kenya that have embraced internationalization after having successfully opened subsidiaries in all the East African countries. Research has shown that cross cultural differences have great influence in the way firms internationalize. In a study carried out by Routamaa & Hautala (2008) on understanding cultural differences, it was established that found that there are culture based stresses in the values and work goals that must be taken into consideration in international business. Deari et al (2008) conducted a study on effects of cultural

differences in international business and price negotiations of a Swedish firm with operations in South Africa. The study revealed there are diverse cultural aspects such as language manners, behavior and communication that can affect international business activities. Kagabo (2012) in his study on the internationalization strategies adopted by KCB in Rwanda confirmed that culture is very important when moving into a foreign country.

The available known research focuses mainly on western owned firms that have subsidiaries in African countries. There is minimal research on the influence of culture on internationalization of indigenous African firms that have embraced internationalization. This leaves a gap that needs to be bridged. This research will try to address the gap by carrying out a study on the cross cultural differences and their influence on internationalization in Kenya Commercial Bank Limited. The study will attempt to answer the following question: How does cross cultural differences influence internationalization in KCB?

1.3 Research Objective

The study sought to achieve the following one objective:

To establish how cross cultural differences influence internationalization in KCB

1.4 Value of the Study

The findings of the study are expected to benefit the management of Kenyan banks as it will highlight and emphasize how cross cultural differences influence internationalization of firms. It will give the banks an opportunity to learn from the KCB example as they

plan to expand their operations into the international market. This will enable them make better decisions on their efforts to venture into international business. Those already in the business will also learn from this study on the best ways to handle issues related to cultural practices in international business.

To the academic community, the study will be a significant contribution on the cross cultural differences and their influence on internationalization of indigenous African Firms. It will therefore form a basis for academic comparison among the western firms and the African firms concerning cross cultural differences in international business. The findings will also be a significant contribution to the existing body of knowledge on cultural differences and international business. It will provide future researchers with the much needed source of literature.

Kenya commercial bank managers will also be able to get more clear understanding on the influence of cross cultural differences on internationalization. By reviewing what happens with other international companies they will be able to bench mark for best practices. This will also assist the bank to be able to effectively manage cross cultural differences for the benefit of the bank.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the relevant literature on cross cultural differences and internationalization of firms. The chapter covers an overview of cross cultural differences; internationalization of firms and the link between cross cultural differences and internationalization of firms.

2.2 International Business

The performance of activities that span across several national boundaries is perhaps the best way international business can be defined (Cavusgil et al, 2010). Business activities may in the form of trade such as exports and imports or in the form of Foreign Direct Investments in other countries. There are several firms around the globe that are engaged in international business such as manufacturing, selling or even sourcing. It may be important to not that there are some factors that have contributed to the growth of international business. These factors include advancement in technology that has made it possible for various firms to reach out to a number of markets outside their geographical location; globalization that has made it possible for companies to view the entire world as a global market for their products.

According to Miller (2011), as successful businesses grow and mature, they often experience a slowing of demand as their traditional markets become saturated. So, it is only natural that an increasing number of companies now set their sights further afield and eye up opportunities beyond their existing boundaries. Breaking in to and making a success of a new market can often be the most lucrative decision ever taken made by a

forward thinking business. Yet as with all high potential opportunities this endeavour can be fraught with challenges – not least the lack of market knowledge or access to consistent data for decision making. Aside from legal, political, and logistical concerns, perhaps the most significant challenge is to develop as sophisticated a picture of the potential offered by a new market as possible. With this knowledge in place it is only then that capital can be effectively and efficiently channeled to the best opportunities. The old mantra that success depends on identifying the right consumers, in the right markets, at the right locations, is especially valid in these times of economic uncertainty and scarce resources.

Customer focused companies from a wide variety of sectors, including retail, fast moving consumer goods (FMCG), and leisure, trading from both outlet and online based operations, are increasingly embracing location planning as a means to prioritize and understand the potential offered by international markets. The invaluable insight offered by this form of consumer analysis now underpins the highly structured, well researched, and rigorously applied, expansion strategies of some of the world's biggest brands and businesses (Miller,2011).

2.3 The Concept of Internationalization

Internationalization is seen as an opportunity to increase sales, but internationalization affects the firm's competitiveness in other ways too, for instance, through improved cost-efficiency by subcontracting abroad; developing know-how and technology competencies via technical cooperation; and extending product ranges through commercial partnerships.

One of the major forces enabling economic globalization and internationalization of companies is the proliferation of inexpensive communication technologies and efficient logistics services that have eroded national borders and distance. Observing the speed and the minimal cost with which information, products or services can be transmitted across geographic space; the world can be considered as a global village that is easily accessible to all companies (DHL, 2013).

Inadequate transport infrastructures and insufficient supply of private distribution and logistics services will constrain competitiveness by limiting efficient product and service delivery. Internationalization of businesses has also been made possible by the development of efficient logistics services that enable firms to deliver products to any part of the world within the shortest time possible. The development of services in transport, packaging and distribution, as part of a set of policy measures directed at fostering a well-functioning business environment, is particularly important to internationalization of firm (DHL, 2013).

The other reason why firms internationalize is the existence of regional agreements that provide a number of incentives to companies from member countries. A good example is the European Union that provides a single market for commercial and technical cooperation among member states. This internationalization also provides firms with a chance to partner with other firms in various regions to enhance performance (Lucia, 2008).

2.4 Cross Cultural Differences

For efficient and effective operation of any international business, it requires expatriates to have a clear understanding of the differences between cultures. For instance business negotiations, expatriate professionals, management of foreign personnel, and cross-cultural teams take for granted a good knowledge of cultural differences. Herskovits (1995) defines culture as the human made part of the environment. Culture incorporates both objective and subjective elements. Objective or tangible aspects of culture include tools, roads, television programming, architecture, and other physical artifacts. Subjective or intangible aspects of culture include norms, values, ideas, customs, and other meaningful symbols. Hofstede (1994) views culture as a collective mental programming of people. He further compares culture to software of the mind that defines the way people think and reason and differentiates people from other groups and shapes the behavior of people.

Culture is interplay of sameness and differences. All cultures are simultaneously very similar and very different. While human beings share many commonalities and universals, groups of people or societies exhibit many differences. For example, some cultures are more complex than others. Some cultures are more individualistic, while others are more collectivist. Some cultures impose many norms, rules, and constraints on social behavior, while others impose very few. Culture evolves within each society to characterize its people and to distinguish them from others. First, it captures how the members of the society live for instance, how they feed, clothe, and shelter themselves. Second, it explains how members behave toward each other and with other groups. Third,

it defines the beliefs and values of members and how they perceive the meaning of life (Salacuse, 2004).

According to Cojocaru (2011) all cultures of the world, despite many differences face a number of common problems and share a number of common features called cultural universals. Even the most casual perusal of an introductory textbook in cultural anthropology leads to the inescapable conclusion that there are many societies with their own unique cultures. The determination of how many different cultures exist today depends largely on how one defines the problem, a definitional question on which there is hardly consensus among the world's anthropologists. An approximation of the world cultural variation can be obtained by realizing that approximately eight hundred and fifty separate and distinct cultures are on the continent of Africa alone (Cojocaru, 2011). Rather than being preoccupied with the precise number of cultures in the world at any one time, it will be important to emphasize the significance of the variability; that is, the great number of differences between cultures illustrates how flexible and adaptable humans are in relation to other animals, because each culture has arrived at different solutions to the universal human problems facing all societies.

Whereas there are many different cultural patterns found throughout the world, there is a natural tendency to become overwhelmed by the magnitude of the differences and overlook the commonalities. Even anthropologists, when describing people tend to emphasize the uniqueness of the culture and only infrequently look at the similarities between cultures. But all societies, if they are to survive, are confronted with fundamental universal needs that must be satisfied. When cultures develop ways of meeting these needs, general cultural patterns emerge. At a very concrete level, differences in the details

of cultural patterns exist because different societies have developed different ways of meeting these universal societal needs. Yet at a higher level of abstraction, a number of commonalities exist because all cultures have worked out solutions to certain problems facing all human populations Cojocar (2011).

2.5 Cross cultural Differences and International Business

The increasing interdependence between nations, businesses and people has brought the importance of national cultures to the forefront. Culture is defined as the socially transmitted behavior patterns, norms, beliefs and values of a given community. Culture greatly influences how individuals think, communicate and behave. Thus it has a great influence on some aspects of a negotiation. It is important to note that culture and nationality are not always the same.³ Cultures within a nation can be distinct. This paper will focus on the cultures identified with China and America (Ndapwilapo, 2008).

Kavum (2007) asserts that unlike political, legal, and economic systems, culture has proven very difficult to identify and analyze. Its effects on international business are deep and broad. Culture influences a range of interpersonal exchange as well as value-chain operations such as product and service design, marketing, and sales. Managers must design products and packaging with culture in mind, even regarding color. For instance while red may be beautiful to the Russians, it is the symbol of mourning in many countries in Sub Saharan Africa. What is an appropriate gift for business partners also varies around the world. While items such as pens are universally acceptable, others may not be appropriate. Examples include sharp items such as knives or scissors, which imply cutting off the relationship or other negative sentiments, chrysanthemums, which are

typically associated with funerals, and handkerchiefs, which suggest sadness (Kavum, 2007).

Most companies want their employees to learn about their cultures and acquire a degree of cross-cultural proficiency. For instance in California's Silicon Valley, where IT firms are concentrated, Intel offers a seminar to its staff on working with India. The seminar aims to help employees work more effectively with the estimated 400,000 Indian nationals in the valley. Several other Silicon Valley firms offer similar training. Another computer firm, AMD, flies IT workers from India to its facilities in Texas for a month of cultural training with U.S. managers. Workers role-play, pretending to be native Indians, and study subjects like Indian political history, Indian movies, and the differences between Hinduism and other Indian religions. Training includes lessons on assigning work (Routamaa et al., 2008).

Cojocar (2011) suggests that multinational companies have the great advantage of working in and with different cultures to make their products and services accessible to a far wider community. The impetus for reaching beyond their own borders makes commercial sense. When multinationals develop into or with other countries there may be an assumption that because everyone within the company is working for the same goals and to the same values, they will automatically communicate, think and view the world in the same way. When multiple cultures begin working together, problems or difficulties arise that many people within these companies are not skilled or adept enough to deal with effectively. This can simply be because they've never had to deal with the issue before (Cojocar, 2011). Language is often the least difficult barrier to breach. When we know there may be language differences, we have a greater awareness of the potential for

problems. However, much more often it's a completely different way of seeing things and an inability, or unwillingness, to see what the other person is seeing that causes the difficulties.

Black, Mendenhall and Oddou (1991) introduced three main skill areas that expatriates need to focus on to survive in a new culture: skills related to maintenance of self, skills relating to fostering relationships with host nationals and skills that promote a correct perception of the host environment and its social systems. Berry, Kim and Boski (1988, p.63) introduced three strategies for coping with this adjustment process. Expatriates can adjust psychologically by adjusting their behavior to the environment, or they can adjust by changing the environment, or they can move to a more congenial environment.

Effective handling of the cross-cultural interface is a critical source of a firm's competitive advantage. Managers need to develop not only empathy and tolerance toward cultural differences, but also acquire a sufficient degree of factual knowledge about the beliefs and values of foreign counterparts. Cross-cultural proficiency is paramount in many managerial tasks, including: developing products and services; communicating and interacting with foreign business partners; screening and selecting foreign distributors and other partners; negotiating and structuring international business ventures; interacting with current and potential customers from abroad; preparing for overseas trade fairs and exhibitions; preparing advertising and promotional materials (Routamaa & Rautiainen, 2002).

Cross cultural differences have the potential of complicating a number of workplace issues. For instance it has a significant impact on teamwork when domestic and foreign nationals cannot get along well with each other. There is need for both groups to

appreciate one another for teamwork to thrive. Culture has got an impact on Lifetime employment too(Routamaa & Rautiainen, 2002). For example workers in some Asian countries enjoy a paternalistic relationship with their employers and work for the same firm all their lives. The expectations that arise from such devoted relationships can complicate dealings with outside firms. Western managers struggle with motivating employees who expect they will always have the same job regardless of the quality of their work. In some countries, merit is often not the primary basis for promoting employees. In China and Japan, a person's age is the most important determinant in promoting workers. When Western firms evaluate them such employees using performance-based measures, then their performance is likely to have a problem (Routamaa & Rautiainen, 2002).

Some companies prefer to delegate authority to country managers, creating a decentralized organizational structure. Others are characterized by autocratic structures with power concentrated at regional or corporate headquarters. Firms may be entrepreneurial or bureaucratic. But how can you get a bureaucratic supplier to be responsive about demands for timely delivery and performance? In Germany for instance, union bosses hold the same status as top-level managers and are required to sit on corporate boards. In general, European firms have evolved a business culture in which workers enjoy a more equal status with managers. This approach can reduce the flexibility of company operations if union representatives resist change. In each country, nationals possess a unique capacity to tolerate ambiguity. For example, some managers like exact and detailed instructions on work to be performed, whereas others give

ambiguous and incomplete instructions. If an employee is not comfortable working with minimum guidance or taking independent action, then the employee may have difficulty fitting into some cultures (Routamaa & Hautala, 2008).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that the researcher employed in the study. The methodology includes the research design, data collection methods and data analysis techniques that was employed in this study.

3.2 Research design

The study adopted a case study design in examining the cross cultural differences and their influence on internationalization of firms with a specific focus on Kenya commercial Bank Limited. Kothari (1990) describes a case study as a form of qualitative analysis that involves a careful and complete observation of a social unit. He further describes a social unit as a person, family or institution. The researcher adopted a case study because of its contribution to the knowledge of individual, group, organizational, social and political phenomena. Case study has been a common research strategy in business (Ghauri & Gronhaug, 2002) and community planning. The distinct need for case studies arises out of the desire of the researcher to understand the complex social phenomena. Case study method will also allow the researcher to retain the holistic and meaningful characteristics of the real life events such as individual life cycles, organizational and managerial processes (Robert, 2002).

3.3 Data collection

Interview guide was used in the collection of data. Interviewing is a way to collect data as well as to gain knowledge from individuals. Kvale (1996) regarded interviews as an interchange of views between two or more people on a topic of mutual interest, sees the

centrality of human interaction for knowledge production, and emphasizes the social impact of research data.

The interview guide was considered appropriate for this study since there is need to gain an in-depth understanding of the cross cultural differences and their influence on internationalization of KCB and this can only be achieved by conducting interviews. The researcher personally conducted the data collection exercise through face to face interviews with the respondents. The respondents were senior managers drawn from various departments in the organization and who have taken the lead position on the execution of internationalization strategies.

3.4 Data analysis

The researcher collected qualitative data. Content analysis was used to analyze the data. Nachmias and Nachmias (1996) define content analysis as any technique used to make inferences through systematic and objective identification of specified characteristics of messages. Kothari (2004) also explain content analysis as the analysis of the contents of documentary and verbal material and describes it as a qualitative analysis concerning the general import of message of the existing documents and measure pervasiveness. Before embarking on content analysis, the researcher assessed the written material's quality to ensure that the available material accurately represents what is written or said. The researcher then listed and summarized the major issues contained in the interview guide responses. This enabled him to structure the data in a way that can make it possible to analyze and interpret it.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The aim of this study was to establish the effect of cross cultural management practices on international operations of Kenya commercial bank limited. Data was successfully collected from senior managers drawn from 10 senior managers from various departments in the organization and who have taken the lead position on the execution of internationalization strategies in the past. The data was collected through interviews conducted over a duration of 3 weeks. The findings from the study are discussed next.

4.2 Cross cultural differences influence internationalization in KCB

4.2.1 Countries KCB has expanded to

The study sought to find out the countries in which Kenya Commercial has already established subsidiaries. The main purpose of establishing this was to ascertain whether cross cultural differences are actually a concern due to the new foreign markets that KCB has ventured into. The findings confirm that Kenya Commercial Bank has expanded its operations to a number of countries within the East African region. This expansion is in line with the bank's vision of becoming the preferred financial services provider within the region. The bank has so far the highest number of branches in the region.

It was clear from the findings that the bank has established fully owned subsidiaries in approximately five countries in the region. KCB has subsidiaries in Tanzania, Rwanda, South Sudan, Uganda and Burundi. The findings also revealed that plans are underway to open another wholly owned subsidiary in Ethiopia and this will make the total number of countries where the bank has expanded to increase to six. It was also clear that the subsidiaries in these five countries have been able to turn around and have contributed a

significant percentage to the increased profitability of the KCB group. Currently therefore all the subsidiaries of Kenya Commercial Bank limited have managed to go beyond breakeven and have the potential of enhancing the profitability of the bank both now and in the future.

4.2.2 Reasons for Expansion

The study established that there are a number of reasons that made Kenya commercial bank limited to opt into regional expansion of their business. The most important reason among all the others is the bank vision and mission. The vision of KCB is to become the preferred financial services provider in the East African region. The bank therefore embarked on an expansion programme that could easily enable it take its services to the other countries outside the homeland country Kenya. The first expansion attempt was to open a subsidiary in Uganda that was later closed and reopened after some years. The findings revealed that initially the subsidiaries opened by KCB had not performed well as expected but by the year 2011 all of them had turned around and could manage to report profitability. Through this expansion therefore, the bank is close to attaining its vision of becoming the preferred financial services provider in the region.

As revealed from the study, the other reason why Kenya Commercial Bank made a decision to expand into new international markets is because of the level of competition that has been building up in the local banking industry for the last decade. The local banking industry has experienced significant growth and transformation. There is more focus on micro financing for the purpose of financial inclusion and several microfinance banks and institutions are targeting low income populations. This competition provided a window of opportunity to the bank to pursue other markets where they did not have

presence initially. The study reveals that the expansion into the international market also gives room to the other small banks to enhance their growth within the country. It was also clear that KCB expanded into the international market as an indication that it was set to transform into a regional financial institution and not a national commercial bank.

The other important reason for expanding into the international market as revealed by the study is that KCB is actually the largest bank in asset base and one of the leading banks in profitability. This implies that the bank had the resources that were required to support the expansion into the regional market. This is a strength that the bank had established and was therefore ready to use it in exploiting the available opportunities that were presented by the international business environment. The study revealed that were it not for the availability of resources, the Bank could easily have shelved the idea of opening subsidiaries in the regional market.

The researcher also confirmed that the recent developments on regional integration have also played a very significant role in providing the impetus for the bank to have a successful expansion programme into the international market. The re-introduction of the East African Community including the free mobility of human capital and some benefits such as custom union have opened up East Africa market to many companies that are from the region. The respondents confirmed that the bank saw an opportunity and a wider market for its services provided by a huge population of all the five countries who signed the East African Community Treaty. The bank noted that the East African Community was presenting an opportunity for the bank to provide financial services to approximately 135.4 million people and therefore took advantage of the integration to expand its operations.

4.2.3 Challenges KCB encountered when expanding its business

The study revealed that KCB's efforts to expand into the international market were not very smooth without challenges that needed to be handled. One of the most outstanding challenges came from the fact that KCB is a Kenyan bank. Kenya is considered as the economic hub of the East African region and most people within the region feel threatened with the aggressive nature of Kenyan entrepreneurs. The perception that entry of Kenyan companies into the region may outshine their indigenous companies largely affected the time it took for people to accept doing business with the bank. But over time, the quality of services offered by the bank has served as a very strong marketing tool that now endears the bank to most customers.

The other challenge faced by KCB when expanding its business into the region was that of the cultural differences between Kenya and the other East African countries. Most of the senior managers in the subsidiaries opened by KCB in the region are recruited from Kenya. The style of management in most Kenyan organizations is more vibrant and involves strict observation to timelines and targets. This largely conflicts with the way things are done in some of the countries within the region. It took time for the other employees from the host countries to get used to the new system of work. This is one of the reasons why it took time for some of the subsidiaries in the region to break even.

It is also clear from the study that the senior managers from Kenya had to take time to learn on the various aspects of culture in the host countries. This was basically meant to assist the managers make informed decisions that could not go against the cultural practices of the people of the host country. For instance in Rwanda, it is illegal for one to

enquire about one's tribe. This was burned after the genocide and one needs to be careful whether in business or private life. This is different from Kenya where one can freely identify someone using the tribe. The language barrier is also one of the challenges that bank had to find solutions to. For instance in Rwanda French has been used for a very long time since it was a French colony. The country however changed its National language to English but still majority of the people still speak French. In Tanzania too, the bank had to adjust to officially adopting Kiswahili to communicate to clients since majority of people in the country prefer Kiswahili to English even in business transactions.

4.2.4 Role of Culture in Internationalization of KCB

The findings of the study revealed that culture had a very significant role in the expansion of KCB into the region. The first role that culture played was to guide the KCB management on what to do and what not to do in the host countries as far as their culture is concerned. This understanding assisted the bank to overcome any negative perception of the activities and products that the bank offers to its customers. Understanding the culture of the people in the host countries also enabled the bank to design the appropriate advertisements for its products that conform to the cultural expectations of the host countries. Understanding the culture has also enable the bank to develop products that meet the needs of its customers in the respective countries where it has expanded to.

The respondents also confirm that it is through understanding the culture of the host countries that KCB has been able to successfully overcome and minimize the chances of failure. This has actually enabled the bank to create an image that makes the customers in the host countries to want to be identified with the bank. The study reveals that culture is

a very strong asset in market development in the new markets that the bank ventures into. The main reason for this stems from the fact that culture is actually the foundation of most of the decisions that the bank makes. The decisions on what to buy or sell are deeply rooted in the culture of the people and ignoring the need to understand culture is therefore paramount to committing business suicide in international business.

It is also evident from the study that although there are significant cross cultural differences between Kenya and other countries within the region, appreciating the culture of the host country was very important in determining the success of KCB international business initiatives. Since the year 2011 all the KCB subsidiaries have been able to make positive profits. This is an indication that the subsidiaries have successfully been able to penetrate into their new markets. This was made possible by ensuring that all the activities of the bank conform to cultural expectations of the people. This serves as one of the ways through which that bank markets itself to the people.

4.2.5 Areas in Business Prone to Cultural Influence

It was established from the study that there are a number of areas in business that can be influenced by culture hence the need for KCB to ensure that utmost care is exercised when carrying out activities in the host countries where its subsidiaries operate. One of these areas is that of advertising. There are very distinct differences even in the meaning and use of language between Kenya and other countries especially Kiswahili language. Some phrases and words used in Kenya to mean one thing may refer to something totally different in Tanzania or Rwanda. The bank therefore ensures that such kind of challenges is addressed before any advertisement is brought to the public domain. This type of

approach has assisted the bank to develop advertisements that do not have any conflict with the culture of the host country.

It was also revealed that the other business aspect that is influenced by culture is communication. The social ethics in Kenya and other countries within the region have significant differences. The study confirmed that whereas the Kenyan culture may not encourage use of very polite language even in business transactions, it is paramount in some countries to use very polite language even when purchasing something. This is very important because it dictates the level of success a company is likely to achieve. KCB had to educate its employees on how to effectively communicate appropriately in line with the culture of the host countries. This also impacted on the business ethics that the bank had to develop in the host countries. The mode of carrying out business activities is also affected by culture. People prefer things to be done their way especially customers. It was therefore important for the bank to learn the culture of the people in the international markets before devising appropriate ways of conducting business activities.

4.2.6 Culture and Internationalization

The study sought to find out from the respondents their advice on cross cultural differences and internationalization of business. The study revealed that the respondents advocate that when a firm is planning to internationalize, there is need to take cultural issues with a very high degree of seriousness. The respondents confirmed that cross cultural differences if not carefully addressed, they can make into impossible for a firm to succeed in the international market. The study therefore revealed that aligning organizational activities to some of the cultural aspects in the foreign market is very paramount in achieving success.

The respondents indicated that culture is learnt and passed on from one generation to another. This being the understanding, firms that engage in internationalization can therefore be able to exercise tolerance on cross cultural differences on grounds that they can be able to learn and work in other cultures. Managers who are deployed to new countries should be willing to learn some cultural aspect of the foreign markets that will enable them to work perfectly and also gain the confidence of the consumers in the new market. It was also revealed that managers working in foreign markets need to understand that cultures are also interrelated. This understanding is important in solving the various cross cultural challenges that firms face in international business.

4.2.7 KCB Success in addressing Cultural Differences

It was evident from the findings that Kenya Commercial Bank Limited has been very successful in the management of cross cultural differences in the international market. The most important tool that enabled the bank to overcome the cultural barriers is training of its employees. The bank had to engage in intensive training of its employees

especially those from the parent company in Kenya who were deployed to the subsidiaries that were established in other countries. The purpose of the training was to provide more information on the cultural practices and the approaches to be used by the bank to accommodate the culture of the host country. The study reveals that with a careful approach, the bank was able to tolerate the sharp cultural differences that existed thus making it possible to conduct a successful entry into the international market.

The respondents also confirmed that there is a very clear indication that Kenya Commercial Bank has been able to overcome cultural challenges. This can be witnessed by the fact that all the bank's subsidiaries in the region have managed to register positive operating profits from the year 2011. The respondents claim that this success could not be possible if the bank had not been successful in solving the cultural issues that affected its operations in the international market. It was therefore clear that proper resolution of the underlying cultural issues has enabled the bank to record outstanding performance from the subsidiaries. It is also evident from the study that the bank has managed to grow both in branch network and customer base in the various countries where there are subsidiaries. The study confirmed that this growth could not be possible if the bank had any unresolved issues as far as culture is concerned. The respondents indicate that this growth is in itself a confirmation that the bank had successfully managed to contain cultural concerns.

The other indication that the bank has been successful in dealing with cross cultural issues in its international business activities is the expansion of the bank into smaller towns in foreign markets within the region. This has been made possible by the employment of natives in the host countries who spearhead the bank's activities.

Employment of locals has assisted the bank to overcome some of the cross cultural challenges since locals understand their culture well and are able to carry out several functions and activities in a manner that can not harm the reputation of the bank. The fact that bank has continued to increase its customer base even in the smaller towns within the region is also a clear indication that there are no conflicting cultural issues in the way the bank handles its transactions and activities.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings on the effect of cross cultural management practices on international operations of Kenya Commercial Bank limited. It also provides the conclusions the research was able to arrive at based on the findings of the study. The recommendations made after carefully examining the results obtained from the study are also provided. The researcher has also discussed the areas that future researchers may study in order to fill any gaps that have been left by this study.

5.2 Summary of Findings

It is clear from the findings that Kenya commercial bank has currently expanded its operations to all the countries in the East African Region. The bank has also opened fully owned subsidiaries in other countries such as South Sudan and there are plans to open a new subsidiary in Ethiopia. This is a clear indication that the bank is deeply involved in international business activities and cross cultural issues has also been among its most significant concerns in ensuring success in the international market. The results indicate that the bank expanded its operations to the countries above because of the need to achieve its vision of becoming the preferred provider of banking services in the region. This was the main driver behind its regional expansion. The other reason for expansion is the availability of resources. Kenya Commercial Bank is the largest bank asset base in the region and also in profitability. The availability of resources gave the bank the momentum to expand its services to other countries within the region. The other reason for its expansion was to take advantage of the wider market that was provided as a result

of the integration of the East African Countries that provides many benefits such as free movement of labour and custom union.

The study was able to reveal that culture plays a very paramount role in internationalization of any business. For the case of KCB, culture guided the bank on the activities to do and those the bank could avoid. Since culture is the way of life of the people in host countries, it assisted the bank to understand the people and their way of life. This understanding was very central in establishing a firm business foundation that recognized and respected the values of the people in the host country. It was clear from the study that the bank was able to develop advertisements and other promotional activities that did no conflict in any way with the culture of the host countries. The results also confirm that understanding the culture of the host countries where KCB operates was the platform for initiating successful subsidiaries in the region. It therefore suffices to say that KCB considers culture as a very important or critical success factor in international business.

The findings have also confirmed that cross cultural differences have played central roles in shaping the outcome of Kenya Commercial Bank's international business endeavors in the region. Were it not for the banks deliberate efforts by the bank to give serious attention to cultural issues, all the efforts made in establishing subsidiaries in the region would have actually come tumbling down. The results indicate that a few years later the bank can now be able to reap from the benefits of its deliberate efforts to give cultural issues a very critical observation. The findings revealed that this endeavor is the main reason behind the successful performance of all the bank's subsidiaries. Currently all the

KCB subsidiaries within the region are reporting positive profits and this is credited to the cautious approach to cross cultural issues in the international market.

The study also confirms that the bank takes cultural issues with a lot of seriousness. The main reason behind this approach is because culture is what defines people and can determine the success or failure of an organization entering the international market. The results indicate that managers at the Kenya commercial Bank believe that culture is learnt hence they can be able to learn the culture of the host countries where they are deployed to. This is very important in assisting senior managers who are not from the host country to tolerate any cultural differences that appear to be a threat to the success of the bank's subsidiary. A lot of training is also carried out to bring harmony between local employees and those from the parent company in Kenya. This is essentially important in ensuring that all employees are able to fit into a multicultural environment and pursue same goals and aspirations of the company.

5.3 Conclusions

Based on the study findings, it is clear that culture is a very important issue that a company needs to give a lot of seriousness when moving into the international market. Culture is the guide book that contains all the unwritten rules that guide the actions of the people of any given society. Kenya Commercial Bank makes deliberate attempts such as training to ensure that cultural issues are properly handled to avoid any mishaps. The study reveals that culture is what sets the foundation for success or failure of any international business endeavor that has been undertaken by the bank. It is also clear that cultural understanding has played a very significant role on the growth of the KCB subsidiaries both in branch network within the host countries and also in profitability.

Cultural differences have the potential of defining the direction of a foreign subsidiary such as the ones set up by KCB within the region.

5.4 Recommendations

The research findings have clearly revealed that cultural issues can determine the success or failure of any foreign subsidiary. It is therefore important for firms expanding into the international market to give cross cultural issues the attention they deserve. This will enable them to build a strong foundation that shuns cultural conflicts and has the ability of propelling the business to higher levels of success.

It has been established that culture is learnt and that it is the way of life of people. Respecting and tolerating some cultural aspects is very important for international business since it will determine how the host community will accept to do business with the company. Managers of foreign subsidiaries therefore need to develop the willingness to learn and fit into new cultural settings in order to enable the company to achieve its objectives.

5.5 Suggestions for further Research

It will be important to carry out a comparative study to establish whether the findings from this study tally with other findings. This will assist in providing more knowledge on cross cultural issues in the international business environment.

Kenya Commercial Bank is still in the process of expanding to other countries within the East and Central African region. This implies that the bank will still be faced with cross cultural issues to address. It will be important therefore to replicate this study after a duration of ten years to establish whether the same effects of cross cultural issues on their

business still hold. It will also assist in establishing whether the bank gives cultural issues the same approach consistently.

It will also be crucial to carry out a study on the impact of cross cultural differences on non Kenyan organizations especially those from the East African region on their chances of success in the Kenyan Market. This will probably assist in explaining why organizations from other East African countries are not very successful in operating subsidiaries in Kenya.

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APPENDICES

Appendix I: Interview Guide

1. Which countries does Kenya Commercial Bank currently operate in?
2. Kindly explain some of the reasons that made KCB expand to these countries.
3. What challenges did KCB encounter when expanding its business to other countries?
4. In your opinion, do you think culture plays a significant role in influencing internationalization
5. How did cross cultural differences in these countries influence the outcome of KCB international business?
6. Kindly explain how KCB was able to address the cross cultural difference issue
7. Which areas of business were more prone to cultural influence in international markets?
8. What is your advice on cross cultural differences as far as internationalization is concerned?
9. How successful was KCB in addressing cross cultural differences in the international markets?
10. What particular aspects of culture had a significant impact on KCB's Internationalization?

Appendix II: List of Commercial Banks in Kenya

COMMERCIAL BANKS IN KENYA	
1	African Banking Corporation Ltd.
2	Bank of Africa Kenya Ltd.
3	Bank of Baroda (K) Ltd.
4	Bank of India
5	Barclays Bank of Kenya Ltd.
6	CFC Stanbic Bank Ltd.
7	Charterhouse Bank Ltd
8	Chase Bank (K) Ltd.
9	Citibank N.A Kenya
10	Commercial Bank of Africa Ltd.
11	Consolidated Bank of Kenya Ltd.
12	Co-operative Bank of Kenya Ltd.
13	Credit Bank Ltd.
14	Development Bank of Kenya Ltd.
15	Diamond Trust Bank Kenya Ltd.
16	Dubai Bank Kenya Ltd.
17	Ecobank Kenya Ltd
18	Equatorial Commercial Bank Ltd.
19	Equity Bank Ltd.
20	Family Bank Limited
21	Fidelity Commercial Bank Ltd
22	Fina Bank Ltd
23	First community Bank Limited
24	Giro Commercial Bank Ltd.
25	Guardian Bank Ltd
26	Gulf African Bank Limited
27	Habib Bank A.G Zurich
28	Habib Bank Ltd.
29	Imperial Bank Ltd
30	I & M Bank Ltd
31	Jamii Bora Bank Limited.
32	Kenya Commercial Bank Ltd
33	K-Rep Bank Ltd
34	Middle East Bank (K) Ltd
35	National Bank of Kenya Ltd
36	NIC Bank Ltd
37	Oriental Commercial Bank Ltd
38	Paramount Universal Bank Ltd
39	Prime Bank Ltd

40	Standard Chartered Bank Kenya Ltd
41	Trans-National Bank Ltd
42	UBA Kenya Bank Limited
43	Victoria Commercial Bank Ltd