THE EFFECTS OF GROWTH STRATEGIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA: THE CASE OF KENYA COMMERCIAL BANK

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A Research project Submitted to the Graduate School in Partial Fulfillment of the Requirements for the award of the degree of Masters of Business Administration of Egerton University.

EGERTON UNIVERSITY

NOVEMBER 2012

DECLARATION AND RECOMMENDATIONS

This research project is my original work and has not been submitted for the award of a diploma or degree in this and any institution/University.

Signature.. Date 5/11/2012

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CM11/0337/07

RECOMMENDATION

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

Signature:.. Date: 5-11-2012

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DEDICATION

This work is dedicated to my husband Moses and our precious sons Albert and Keith, who have not only made my success possible through encouragement but also brought honour and nobility to the whole process.

ACKNOWLEDGEMENT

My most heartfelt gratitude goes to God for His provision, strength and enablement. Many people gave me support, recommendations and encouragement. Though I may not mention all, a few are worth noting. My sincere gratitude and appreciation goes to Egerton University and to my supervisor, Dr. Auka for his expert guidance, encouragement and support. His positive criticism and patience made this work what it is. I appreciate the contribution of all the respondents who participated in the research.

Finally, special gratitude goes to my family. A big vote of thanks goes to my husband, for his patience. He gave me moral and financial support in order to complete this work. May God bless and shine His face upon you all.

ABSTRACT

Globalization and increased competition have made Kenya's banking sector a cut-throat business arena. This has forced every bank to craft growth strategies to survive in the changing market conditions in order to maintain their market share and competitive advantages over their competitors. However, the relationship between these growth strategies on improved performance has not been clearly established .The study focused on the effect of growth strategies (branch network expansion, market penetration, product development and diversification) on performance (customer base, bank revenue and customer deposit) of Kenya Commercial Bank. The study employed a descriptive survey which was carried within the five regions of Kenya Commercial Bank. Primary data was collected by use of questionnaires. The study involved a census of 187 respondents' out of which 148 responded to the questionnaires forming 79% response rate. The data was coded and analyzed using descriptive and inferential statistics. Descriptive statistics such as frequencies, means and pie charts were computed. Correlation analysis was used to establish the relationship between the independent variables and dependent variables. Regression analysis determined the combined effect of independent variables. The significance level used for the study was 0.01. Results of data analysis supported the following key findings: Branch expansion, Market penetration, Product development and diversification significantly influenced the performance of the Kenya Commercial Bank. The study concluded that diversification had the greatest effect on performance of the bank followed by market penetration and branch expansion while product development contributed the least on the performance of the bank. The overall level of performance in terms of customer base, customer deposits and bank revenue within the bank was found to be generally high, the greatest effect being on customer base. This study recommended effective application of growth strategies in order to achieve measurable improvement in the bank performance and combined application of the growth strategies to achieve higher performance in the bank. In addition the bank should focus more on customers' needs to develop more innovative and appropriate product differentiation strategies that will not only appeal and attract customers but also actively retain and sustain them in the long term. Product training by staff should also be employed to improve staff knowledge for effective and efficient product development strategy implementation.

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LIST OF ABBREVIATIONS AND ACRONYNS

CBK: Central Bank of Kenya

ICT: Information and Communication Technology

KCB: Kenya Commercial Bank

SME: Small & Medium Enterprises

SPSS: Statistical Package for Social science

SWOT: Strengths Weaknesses, Opportunities and threats

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Successful formulation, implementation and achievement of organizations' strategic plans is central to the overall growth of the firm. This makes firm's growth a central focus in strategic planning and management. This further implies that attainment of organization's strategic objectives lies on its strategic implementation mechanisms. Strategy implementation is the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the stated objectives (Lehner, 2004). It is Hrebiniak (2006) who observes that while formulating a consistent strategy is a difficult task for any management team, making that strategy work, implementing it throughout the organization, is even more difficult. Contributing on the same, Schaap (2006) has stressed that the strategy-implementing/strategy-executing task is the most complicated and time-consuming part of strategic management. While these observations by Hrebiniak (2006) and Schaap (2006) indicate that strategy implementation is both complex and hard to achieve successfully, they have offered no empirical accounts to support legitimacy of their assertions. It is this gap that makes the work of Allio (2005) very relevant.

The difficulty in successful attainment of organizations strategic plans is well documented in an economic survey of over 250 corporate organizations conducted in the year 2005. According to this survey, up to 57% of firms were unsuccessful at executing and achieving their strategic plans (Allio, 2005). Other studies on strategy implementation among Chinese Corporations in the year 2006 further confirmed that only a handful of organizations successfully implement their strategies. This survey reported that 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process. The low number of organizations that successfully implemented their strategies led these scholars to remark that "successful strategy implementation is the most significant management challenge which all kinds of corporations face at the moment".

While the works of Allio (2005) are appreciable as it highlights the rate of successful growth strategy implementation, it has not offered much insight as regards the causes of low successful implementation strategies. Extending the discussion on strategy implementation, Alexander (1985) believes that whether or not a strategy is implemented successfully depends on the strategy itself. He maintains that a formulated strategy should be anchored in a good idea or concept. This observation implies that a strategy that is not well conceived has very little chance of being implemented successfully. The link between strategy formulation and its implementation has also been highlighted by other scholars. Hrebiniak (2006) argues that a poor or vague strategy can limit implementation efforts dramatically and that good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort.

Organizations either concentrate on one product or diversify their products. Concentrated growth strategy leads to enhanced performance unlike other growth strategies under suitable condition (Pearce & Robinson, 2005). It also possesses lower risks than any other grand strategy. But they also caution that a firm committed to concentrated growth faces high risk in a changing environment. The greatest risk according to Pearce and Robinson (2005) is that concentrating in a single product market makes a firm particularly vulnerable to changes in that segment. Proponents of concentrated growth strategies, however, believe that it remains the best strategy if organizations take appropriate measures to adjust to changes in the business environment.

Valos & Fitzroy (1999) show that the impact of diversification growth strategy entails increasing the firm stock value, increasing the growth rate of the firm, making an investment that represents better use of funds which plows them into internal growth, improving the stability of earnings, diversifying the product line when the life cycle of the current products have reached peak and increasing efficiency and profitability of the firm. It is indeed clear here that product diversification must be done progressively if the desired results are to be achieved. The effect of these growth strategies on organizational performance more so banking sector have not been adequately analyzed. It is on account of this that the study evaluated the effect of these growth strategies on the performance of Kenya Commercial Bank.

Kenya Commercial Bank initiated growth strategies which included expansion of branch networks, market penetration, product development and diversification. Branch Expansions is one of the main growth strategies Kenya Commercial Bank has invested on steadily. The plan of the bank has been to continue to position itself as a strong regional presence as a basis of enhancing or optimizing shareholders value- without losing opportunities in the Kenyan market. This has been driven by the need to compliment growth in profitability, to grow shareholder value and achieve optimal utilization of resources, consolidate the bank's industry across the world, and as well as exploit regional opportunities. Market penetration has been made in response to the needs and wants of the different market segments. Market penetration has aimed at reaching and attracting large numbers of customers, increasing deposits, sales and increased revenue.

Kenya Commercial Bank has introduced a group of banking products designed to meet the unique and changing needs of customers. The bank has also diversified in various groups of products such as personal Accounts and loans, business Banking, Card products, Treasury products and services, Kenya Commercial Bank asset base finance, and Mortgage ultimately increasing customer base, deposits revenue and return on investment. Diversification involves expansion of the current business. Kenya Commercial Bank has crafted a new model aimed at helping the bank to double its digits through diversification and extension of the niche market. The bank has incorporated western unions, money gram and 'm-pesa' services for money transfer services to attract and reach the wide network involved in these businesses. The bank has also ventured in the business of insurance to curb the great risks involved in its lending business.

The history of Kenya Commercial Bank dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. In 1904, the Bank extended its operations to Nairobi (which was the Headquarters of the expanding railway line to Uganda) and upon independence, the Government of Kenya acquired 60% shareholding 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. However, the government has over the years reduced its shareholding to 35% and more recently to 23.1% (KCB Annual Report, 2006). In 1997, it went regional by incorporating a subsidiary in Dar-es-Salaam Tanzania such as Kenya Commercial Bank (Tanzania) Limited, of which to date, three branches (Dar-es-Salaam, Arusha and Mwanza) have been opened. In May 2006, KCB extended its operations to Southern Sudan following licensing of its youngest subsidiary, KCB Sudan, to provide conventional banking services with branches in Juba and Rumbek. The latest addition into the KCB Family came in November, 2007 with the opening of KCB Bank Uganda Limited and in December 2008 KCB Rwanda began operations (KCB, 2008).

1.2 Statement of the Problem

The increasing level of competition in the modern business environment has forced companies to analyze and revise their existing growth strategies. This is particularly true in the banking sector where new entrants are competing with established banks; sometimes in saturated markets. Firm growth is a central focus area in strategy, organizational and entrepreneurship research. Much research effort has been targeted particularly at investigating the factors affecting firm growth, with little emphasis on the effect of growth strategies on performance. Kenya Commercial Bank was once an ailing state owned company which hit rock bottom between 2000-2002 and posted a loss of 4.1 billion in the year 2003/2004 financial year, (KCB Annual Report, 2002/03). In a bid to effectively position itself in the local and regional banking market, Kenya Commercial Bank embarked on various growth strategies, which included branch network expansion, market penetration, product development and diversification. In adopting these strategies, the bank hoped to increase its customer base, achieve growth in revenue and increase bank deposit. The effectiveness of these growth strategies on performance has not been studied by the bank. It is against this background that this study examined the effect of growth strategies on performance of Kenya Commercial Bank.

1.3 Objectives of the Study

The general objective of the study was to examine the effect of growth strategies on the performance of commercial banks in Kenya; the case of Kenya commercial bank. However, the study was guided by the following specific objectives

i. To examine the effect of branch network expansion on the performance of Kenya Commercial Bank.

ii. To analyze the effect of market penetration on the performance of Kenya Commercial Bank.

iii. To determine the effect of product development on the performance of Kenya Commercial Bank.

iv. To investigate the effect of diversification on the performance of Kenya Commercial Bank.

v. To determine the combined effect of growth strategies on the organization's performance of Kenya Commercial Bank.

1.4 Research Hypothesis

The study sought to test the following null hypotheses:

H_{01}: Branch network expansion does not significantly influence the performance of Kenya Commercial Bank

H_{02}: Market penetration does not significantly influence the performance of Kenya Commercial Bank

H_{03}: Product development does not significantly influence performance of Kenya Commercial Bank

H_{04}: Diversification does not significantly influence performance of Kenya Commercial Bank

H_{05}: No single growth strategies significantly influences the performance of Kenya Commercial bank

1.5 Justification of the Study

Currently, performance has developed to be the central issue for most major companies including the commercial banks. For this reason, growth strategies have been adopted by various commercial banks in order to successfully attain high performance within the competitive banking sector. The study examined the effect of growth strategies on performance of Kenya Commercial Bank. As a result, the significance of data from the study contributes to the banking industry as guidelines on how to advance and package growth strategies for successful achievement of performance targets. The recommendation from the findings of the study will help commercial banks in developing and enhancing customer's satisfaction programs.

1.6 Scope of the Study

The study covered 5 regions of Kenya Commercial Banks in Kenya. The study confined itself to regional and branch managers of Kenya Commercial Bank as primary respondents, with records on performance held in these regions as secondary sources. Growth strategies were limited to branch network expansion, market penetration, product development and diversification as per the bank's current strategic plan (2008-2012).

1.7 Limitations of the Study

Limitations associated with dishonesty and hostility from some respondents, which could have had a bearing on the authenticity and validity of the results was also anticipated. This limitation were addressed by assuring the respondents that the information obtained from them would be treated with confidentiality and used for the study purposes only.

1.8 Operational Definition of Terms

Branch Expansion: This is reaching the un-banked population by expanding branch networks.

Diversification: This is expansion of current business and extension of niche market i.e. developing new products and new markets such as incorporating western unions, money gram and 'Mpesa' services in the money transfer services.

Growth strategy: This is a means which organizations attempt to meet their strategic goals and objectives towards realizing improved and sustainable performance. Strategy aimed at winning larger market share, even at the expense of short-term earnings. Four broad growth strategies are diversification, product development, market penetration, and market development.

Market Penetration: This involves concentration of the current products in the current markets through promotional activities such as road shows, open days and direct selling.

Performance: Organizational performance in the study referred to the extent to which a commercial bank has attained its performance targets. Organizational performance was measured using Likert- based indexes and Consensus based Measurements.

Product Development: This is the introduction of bank products to meet the needs and wants of the current market. These are products launched which are in line with the changing customer needs and demand of the competitive landscape.

Strategy: This is a technique/tactic employed by an organization to help it gain competitive advantage over others and overcome the environmental, political, social, economic and technological challenges that it meets in the course of operations.

CHPATER TWO

LITERATURE REVIEW

2.1 Introduction

In this section the study has presented a review of literature, theoretical and conceptual frameworks. The chapter begins with a general overview of successful growth strategy process and the variables that influence its performance. The second section deals with the theory that this study used to explain the operating environment of commercial banks. The final section in this chapter was concerned with the conceptual framework for the study, which was anchored on the study's objectives, literature reviewed and the theoretical framework.

2.2 Successful Growth Strategy Achievement

Growth strategy implementation is the process that turns plans into action assignments and ensures that such assignments are executed in a manner that accomplishes the stated objectives (Lehner, 2004). It is Alexander (1985) who argues growth strategy implementation begins with formulation of the strategy itself. In taking this view, Alexander (1985) is convinced that successful implementation of business strategy begins with the formulation and development of a good strategy. Supporting this same school of thought is Allio (2005) who also observes that good implementation naturally starts with good strategic input. Likening cooked food to strategy implementation, he asserts that the soup is only as good as the ingredients (Allio, 2005). The study concedes that the successful achievement of growth strategy depends largely on the strategy itself. The import of these observations is that caution and thoroughness be observed at strategy formulation, as this enhances successful attainment of the strategy.

Contributing on the relationship between growth strategy formulation and implementation, Hrebiniak (2006) writes that a poor or vague growth strategy can limit implementation efforts dramatically. He observes that good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort. Other scholars such as Kim & Mauborgne (1993) and Singh (1998) maintained that the way growth strategy is formulated will influence its implementation. Like other scholars, these scholars have confirmed that strategy formulation is the found upon which successful achievement of business strategies is anchored. Consequently, it is imperative that serious effort is put in growth strategy formulation. But what is it that constitutes a good growth strategy formulation?

Although Bantel (1997) has not fully exhausted on the attributes of good growth strategy formulation, his instance that a formulated strategy must be consistent and fitting to the entire philosophy of the organization provides an important starting point. He suggests that particular product/market strategies are effective at achieving particular performance goals to the exclusion of others. One of his conclusions is that synergies between strategy types and implementation capabilities exist and should be exploited. Extending the notion between strategy types and implementation, Walker & Ruekert (1987) divide business strategy behaviors into three types: prospectors, differentiated defenders and low cost defenders. These distinctions are based on the strategy categories introduced by Miles & Snow (1978); prospectors, defenders, analyzers, reactors and by Porter (1980); overall cost leadership, differentiation and focus. Walker & Ruekert stipulate that corporate-business unit relationships, inter-functional structures and processes, marketing policies and processes may all significantly influence business strategy implementation. This suggests that implementation of strategy just like strategy formulation should take cognizance of the entire organization while at the same time appreciating the contributions of specific units within the organization. The study agrees with these observations, more so when analyzed in the context of organizations as a system.

While appreciating the interdependence nature of organization's units, Chimhanzi (2004) suggests that cross-unit working relationships have a key role to play in the successful implementation of marketing decisions. He adds that implementation effectiveness is affected negatively by conflict and positively by communication and specifically, interpersonal, not written. In turn, these interdepartmental dynamics are affected by senior management support, joint reward systems, and informal integration. According to Chimhanzi (2004) successful achievement of growth strategy does not only lie in the formulation of good strategy as some scholars appear to suggest in the preceding paragraphs. He instead believes that attainment of strategy involves many factors ranging from communication structures, management support and even organization structure.

Chimhanzi (2004) also points out that marketing and research and development interface too influence successful attainment of strategy. Chimhanzi & Morgan (2005) conclude that the alignment of marketing and human resources significantly contributes to greater successes in strategy implementation. Specifically, these findings imply that marketing managers should seek to improve the relationship with their human resource colleagues by emphasizing two of the process-based dimensions: joint reward systems and written communication.

The role of human resources in successful achievement of strategy has also been explored by Rapert, Velliquette & Garretson (2002) who found that organizations where employees have easy access to management through open and supportive communication climates tend to outperform those with more restrictive communication environments. The findings of Peng & Litteljohn (2001) show that effective communication is a key requirement for effective growth strategy implementation. Organizational communication plays an important role in training, knowledge dissemination and learning during the process of growth strategy implementation. In fact, communication is pervasive in every aspect of strategy implementation, as it relates in a complex way to organizing processes, organizational context and implementation objectives which, in turn, have an effect on the process of implementation.

Communication barriers are reported more frequently than any other type of barriers, such as organizational structure barriers, learning barriers, personnel management barriers, or cultural barriers to undermine strategy implementation Heide, Gronhaug & Johannessens (2002). Rapert, Velliquette & Garretson (2002) state that communication and shared understandings play an important role in the implementation process. In particular, when vertical communication is frequent, strategic consensus (shared understanding about strategic priorities) is enhanced and an organization's performance improves. To these scholars, vertical communication linkages are crucial in achieving strategic consensus and performance.

2.2.1 Branch network and market penetration, and performance

Organizations place emphasis on customer care programs as a long term strategy toward establishing and maintaining long-term successful relationships. This further aims at ensuring that there is a cordial relation between an organization and its customers. Customer relation programs also endeavor to win customer's loyalty and commitment. Customer loyalty reflects the intention to buy repeatedly from the same supplier and the intention of continuing the relationship with this supplier. Wide branch networks ensures that customers get easy access to services and promotes convenience which in turn maintains customer commitment, which increases the relationship strength between suppliers and customers and leads to loyalty, this is central to the growth of organization's customer base Morgan & Hunt (1994). Although Morgan & Hunt (1994) have not discussed customer loyalty and commitment in the context of customer perception toward the organization, the study holds that customers become loyal and committed to an organization if they perceive organization positively. This positive perception toward an organization may reflect satisfaction customers have with services or goods provided by the organization.

Indeed the works of scholars and Lewicki & Bunker (1995) provide more insight into the relationship between satisfaction on the one hand and customer commitment and loyalty on the other hand. Lewicki & Bunker (1995) point out those customers with cumulative satisfying experiences tend to remain affective loyalty to relationships and perform loyal behaviors toward the organization. Extending this observation Meyer & Allen (1987) argue that satisfied customers believe in suppliers' behaviors in a certain way in turn, are more likely willing to engage in a further relationship and enhance relational commitment. These scholars confirm that customers only become committed to an organization if they perceive organization to be serving them satisfactorily. What was not clear and which the study analyzed relates to the kinds of efforts an organization has to make in order for them to provide satisfactorily services.

While writing on customer commitment with emphasis on sustainable commitment Meyer & Allen (1987) first observe that commitment is a multi-facet construct. They hold that affective, continuance and normative commitment is derived from psychological and economical perspective of the customer. By affective commitment, the two scholars refer to the emotional attachment to and involvement in a relationship. They accordingly observe that customers with affective commitment will "want to" maintain the relationship. They conclude that continuance commitment is the result of customers' evaluation of the cost associated with quitting and the profit associated with staying. Customers with continuous commitment will "have to" maintain the relationship. It is clear here that customer's commitment and loyalty is influenced by both their perceived emotional and economic benefits from the relationship. The implication of this is that organizations must strive to satisfy both emotional as well as economic needs in order for them to win the loyalty and commitment of their customers.

Whereas Meyer & Allen (1987) appear to suggest that organization should strive to satisfy both affective and economic needs of their clients, Ruyter et al., (2001) on the contrary believe that psychological needs of customers is more important than any other needs. Arising from this, Ruyter et al., (2001) emphasizes that organizations should consider the effective strategy for maintaining a long-term relationship in both the desire for a relationship based on a psychological perspective. The study disagrees with Ruyter et al., (2001) stand on customer satisfaction. The study believes that customers first and foremost seek a relationship with their banks for economic gains. As such customers are likely to join banks that they believe will enable them reap the greatest economic gain. But customers do not remain in these banks at all cost. The way they are treated also determines whether or not they remain in any given bank. This implies that customer's decision to retain or quit a relationship with their banks is influenced by both their sense of economic and psychological satisfaction.

2.2.2 Growth strategies and organizational performance

Growth strategies may also been understood in the context of strategy tactics. Nutt (1986) identified four types of implementation tactics used by managers in making planned changes by profiling 91 case studies: intervention, participation, persuasion, and edict. Nutt (1987) explains the four tactics as follows: Intervention refers to strategy adjustments during the implementation stage by introducing new norms and practices.

Participation consists of articulating strategic goals and nominating a task force that develops and proposes corresponding implementation options. Persuasion consists of the tactic of using the involved parties to convince employees about the decided course of actions. The main mechanism for implementation in the edicts tactics (that relies on power and is characterized by absence of participation) is the issuing of directives. With regard to the popularity of these four strategy implementation tactics Nutt (1987) found out that persuasion, intervention, participation and edict had 18%, 42%, 17% and 23% respectively. In terms of success rates, the study found a 100 percent success rate when key executives used an intervention tactic, with both the persuasion and participation tactics having 75 percent success rates. Implementation by edict had a 43 percent success rate (Nutt, 1987).

In a related development, Bourgeois & Brodwin (1984) examined five process approaches used to advance strategy implementation: Commander model, Change model, Collaborative model, Cultural model, Coercive model. The first approach addresses strategic position only, and is used by top managers in charting a firm's future. The top management can use economic and competitive analyses to plan resource allocations to achieve his goals. The change model emphasizes how the organizational structure, incentive compensation, control systems and so forth can be used to facilitate the implementation of a strategy. The collaborative model concentrates on group decision-making at a senior level and involves top management in the formulation process to ensure commitment. The fourth approach tries to implement strategy through the use of a corporate culture. The final approach draws on managers' inclinations to want to develop new opportunities as they see them in the course of their day-to-day management. The first three models assume implementation as after-the-fact thus implying that the number of strategy developers is few and that the rest of the organization is somehow manipulated into implementation. For the latter two models, most of the energy is used for strategy formulation and the strategy requires relatively little effort in its implementation.

Lehner (2004) takes implementation tactics as genuine organizational behavior based on the assumption that implementation in general is dependent on the environment, and various strategic and organizational variables. While agreeing with views of Bourgeois & Brodwin (1984) as the first attempt to explicitly link behavioral patterns to the context of strategic management, he discounts that the two scholars did not successfully link their concept of tactics to other conceptualizations of organizational behaviors, especially with regard to organizational leadership, nor did their framework lead to any empirical studies. On the basis of the study of Bourgeois & Brodwin (1984), Lehner (2004) proposes five implementation tactics: command, change/politics, culture, collaboration and market. Command and politics/change are both somewhat autocratic. In contrast, both collaboration and the market as implementation tactics utilize participation to a high degree and in a way which gives subordinate groups a strong voice. It also gives them the possibility to influence the selected courses of action.

2.2.3 Product development, diversification and performance

Organizations either concentrate on one product or diversify their products. Each of these approaches has both merits and demerits according to several scholars. Proponents of concentrated growth such as Pearce & Robinson (2005) suggest that concentrated growth strategy leads to enhanced performance unlike other growth strategies under suitable condition. They add that concentrated growth possess lower risks than any other grand strategy. But they also caution that a firm committed to concentrated growth faces high risk in a changing environment. The greatest risk according to Pearce & Robinson (2005) is that concentrating in a single product market makes a firm particularly vulnerable to changes in that segment. Proponents of concentrated growth strategies, however, believe that it remains the best strategy if organizations take appropriate measures to adjust to changes in the business environment.

Another proponent of the concentrated growth strategy is (Kotler & Keller, 2006). While they support concentrated growth strategy they regret that a firm pursuing concentrated growth strategy is vulnerable to high opportunity cost that results from remaining in a specific product market and ignoring other options that could employ the firms' resources more profitably. But they point out that concentrated growth strategy affords a firm the opportunity to direct its resources to the profitability growth areas. This strategy they argue enables a firm to minimize the risk associated with unrelated diversification and concentration.

Strong sentiments for concentrated growth strategies imply that it is a good strategy that only requires to be implemented with caution. The concern here is to with how risks associated with this strategy could be minimized so that it can lead to good business results. Pearce & Robinson (2005) believe that risks associated with concentrated growth strategies can significantly be reduced through product and market development. Product and market development according to these scholars would help a firm increase its growth opportunities, thus leading to an enhanced market share and sales volume.

Stremersch & Tellis (2004) while contributing on how product development strategy would be employed to offset any risks arising from concentrated growth strategy argues it useful in prolonging the life cycle of current products or taking advantage of favorite reputation or brand names. Similarly, they observe that market development is used to open additional geographical markets, which eventually increases market share; since wide market coverage leads to increased sales volume and firm profitability.

Interesting, however, scholars like Acar (1993) argue that not all product development leads to increased performance. This followed a study which found that firms with lower levels of product diversification (but with strengths in financial management) realize the highest proportional increase in sales revenue. This observation means that product and market development must be done with great caution to ensure that it does increase the risks of a firm to losses. While this does not explicitly advocate for alternative strategy to growth concentration strategy, it however, offers a strong signal that growth concentration strategy is not the best of all. Some scholars also argue that product concentration is favorable to large enterprises and not small. These scholars observe further that concentrated growth strategy is suitable for survival of the firm (Slack, 1983). Correspondingly, Slack (1983) reported that "defensive" business units were financially successful despite lower new product performance. Alternatively, they suggest that "offensive" strategies achieve similar financial performance to "defensive" strategies due to new product rather than new market efforts.

On diversification, Valos & Fitzroy (1999) show that the impact of diversification growth strategy entails increasing the firm stock value, increasing the growth rate of the firm, making an investment that represents better use of funds which plows them into internal growth, improving the stability of earnings, diversifying the product line when the life cycle of the current products have reached peak and increasing efficiency and profitability of the firm. It is indeed clear here that product diversification must be done progressively if the desired results are to be achieved. The study, however, faults the proposed outline especially on the impression that it always lead to firm's profitability.

In his attempt to reconcile the two growth strategy models; Banley (1991) offers that a firm has numerous options regarding growth in its efforts to improve performance. It may adapt or modify existing products, develop new markets or decide on a combination strategy of new products for new markets. Similarly, Kotler (2003) broadly classifies alternative growth opportunities open to firms as intensive, integrative, or diversified growth opportunities. These perspectives facilitate systematic identification and effective exploitation of strategic growth opportunities. It follows that product-market growth strategies can be generally classified into two groups, growth realized through a focus on products and growth achieved through a focus on markets, oftentimes with a redefinition.

2.3 Theoretical Framework

This study was guided social exchange theory. This theory explains why people are likely to remain as customers of Kenya Commercial Bank or leave the Bank for another bank.

2.3.1 Social exchange theory

Social exchange theory indicates that individuals are willing to maintain relationships because of the expectation that to do so will be rewarding (Blau, 1968). Individuals voluntarily sacrifice their self-benefits and contribute these benefits to another individual with the expectation for more future retains and gains. In the context of the study, the exchange is between the Commercial banks and current and prospective customers. Thibaut & Kelly (1959) proposed that whether an individual retains a relationship with another individual or organization depends on the comparison of current relationship, past experience and potential alternatives. The constant comparison of social and economic outcomes between a series of interactions with current partners and available alternatives determines the degree of an individual's commitment to the current relationship. The study argues here that customers remain faithful to their commercial banks if they feel that their interests had been well catered for in the past, currently and possibly in the future. In this regard a customer seizes his/her relationship with a commercial Bank if he/she feels that past treatment had not been satisfactory. However, if improvements are noticed then their loyalty may be restored otherwise they will leave and establish a relationship with another commercial bank, which he/she considers to serve this/her interests best.

Following this line, Rusbult (1980) proposed the investment model. It is employed in many research areas including social, psychological and organizational studies and offers a powerful explanation to commitment and stay/leave. The investment model emphasizes that evaluative criteria for maintaining relationship are the comparisons of satisfaction levels of the current relationship, the quality of alternatives, and the investments in the current relationship. It is apparent that here mere dissatisfaction with services does not trigger automatic withdrawal of customer from their banks. The quality of alternative bank(s) matters a lot in this. This is due to the fact that conditions in alternative banks could even be worse thus compelling the customer to retain relationship with present bank(s).

An individual generates switching behavioral intention based on commitment, which is a function of these elements in the investment model. If customers think the benefit of switching supplier is less than of staying in current relationship, they tend to perform high loyalty, even if they are not fully satisfied with suppliers' service (Jones et al., 2000). Implied in this observation is that customer are more than likely to leave present organization even with slightest imagination that the alternative bank would serve their interests better not-withstanding the fact it may not offer full satisfaction.

2.4 Conceptual Framework

This conceptual framework is modeled along the objectives of the study, the literature reviewed and theory adopted for the study. The main players in the creation and execution of corporate entrepreneurship in the organization are organizational leadership and employees, who relate as superior-subordinate. The research analyzed the effects of growth strategies on the performance of Kenya Commercial Bank.

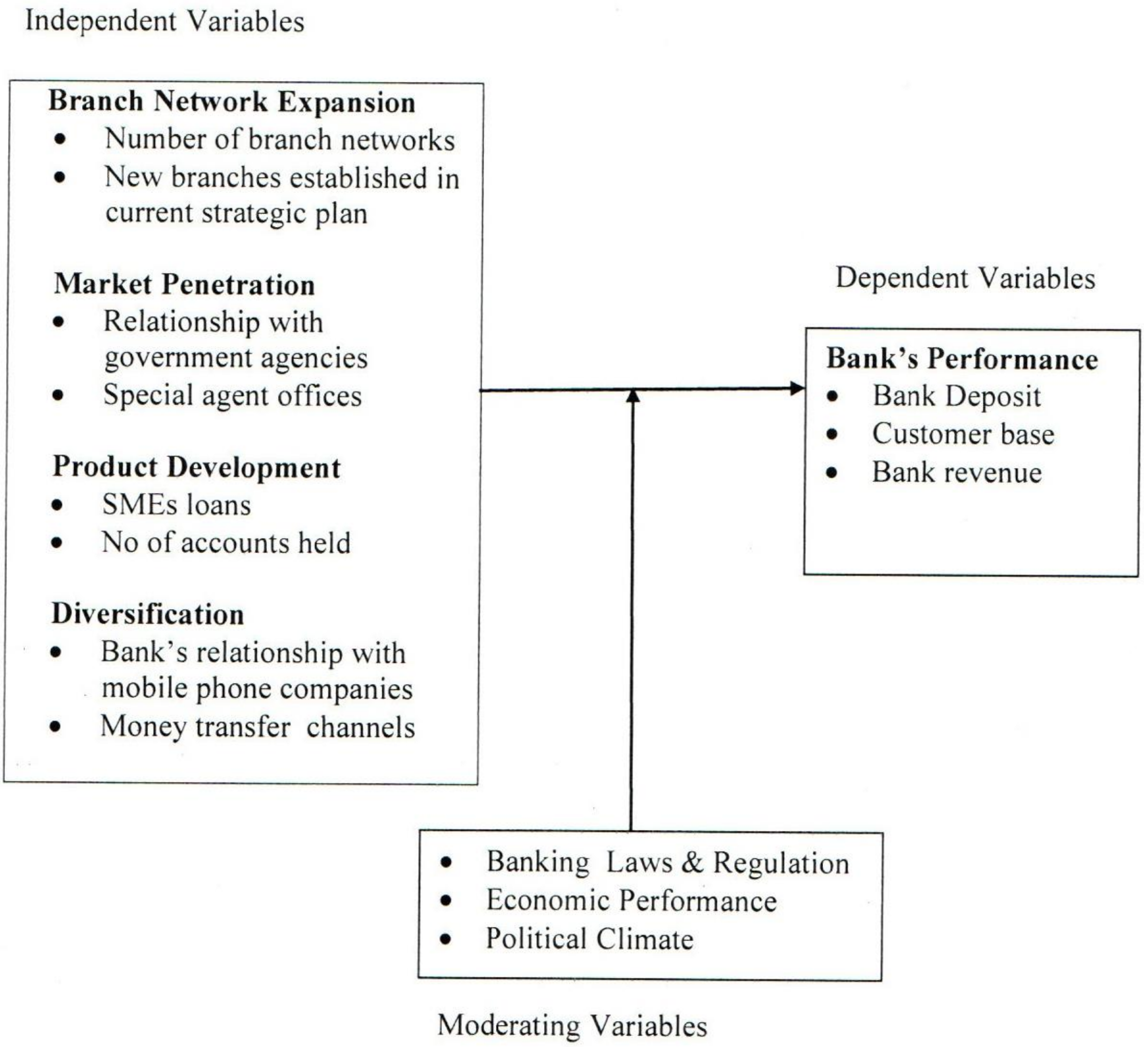

Figure 2.1: Relationship between growth strategies and organizational performance
Source; Researcher's compilation, 2012

Growth strategies of Kenya Commercial Banks through its 2008-2012 strategic plan focuses on branch expansion, market penetration, product development and diversification. For this reason, the study looked at growth strategies of the bank using these growth parameters. Branch expansions generally aim at bringing banking services closer to actual and potential customers. Sometimes this strategy can tap customers from high potential areas with satisfactory results. Banks whose customers have to spend a lot of money on transport and time to access their services may lose to those with branches closer to the customers holding other factors constant. This may lead to increase in customer base to banks that open branches closer to the customer but a reduction to customer base to those without branches closer to customers. But branch expansion may be accompanied to high overhead costs and other risks, which may substantially offset any benefits arising from winning customers through the expansion. Organizations either concentrate on one product or diversify their products. Each of these approaches has both merits and demerits according to several scholars. Proponents of concentrated growth such as Pearce & Robinson (2005) suggest that concentrated growth strategy leads to enhanced performance unlike other growth strategies under suitable condition. They add that concentrated growth possess lower risks than any other grand strategy. Banks such as Kenya Commercial Bank and Equity in an effort to reach grassroots have in the recent past opened agent offices to provide some banking services .(market penetration strategy). These agencies are opened very closer to residential areas. Whether this strategy has had positive contribution to attainment of performance targets is among the issues the study investigated. Like the benefits risks associated with branch expansions, the study holds that the strategy can be a boom or an obstacle to performance of growth strategies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the research presents study design, area of study and sampling procedures. The study has also presented methods of data collection as well as data analysis methods and procedures.

3.2 Research Design

The study employed survey design to examine the effect of growth strategies on the performance of Kenya Commercial Bank. Yin (1984) observes that survey design allows an empirical inquiry that investigates a contemporary phenomenon within its real-life context. The effect of growth strategies on performance continue to attract a lot of interest more so when competition for customers is increasingly becoming intense. This aspect of survey design makes it an appropriate design for the study.

While looking at the suitability of survey design over and above other designs, Theordorson & Theordorson (1969), assert that survey provides the opportunity for an intensive analysis of many specific details that are often overlooked with other methods. They go further to note that survey design is useful for studying an individual, group, an episode, a process, a community, a society, or an organization. The fact that growth strategies is the main focus of the study as well as how they influence performance and given that they were examined in the context of a specific sector (banking) made survey design appropriate for the study.

3.3 Area of Study

The study covered the entire network of Kenya Commercial Bank which consists of the five regions namely Nairobi, Western, Central, Coast and great rift with the study focusing on the top decision making organs of the bank, regional and branch managers. The composition of these regions and their respective branches is demonstrated in Appendix II

3.4 Target Population

This study had regional managers and branch managers of Kenya Commercial Bank as its target population. The population of the study comprised of a total of 25 regional business managers 162 branch managers as displayed below.

Table 3.4.1. KCB's Business Regions

Region	Regional managers	Branch Managers
Nairobi Region	5	41
Central Region	5	39
Great Rift	5	29
Coast Region	5	25
Western Region	5	28
Total	25	162

Source: KCB Strategic planning department head office (2010)

3.5 Sampling Procedures

The research employed a census approach since the sample size was relatively small. All the 25 regional managers and 162 branch managers from each of the 5 regions of Kenya commercial banks. Therefore the study had a total of 187 respondents all of which were given questionnaires to fill.

3.6 Data Collection Procedures

Primary data was used for the study. The data was gathered using questionnaires which had structured questions to seek for information that required standardized responses. Questionnaires were preferred as they allows for clarifications where desired (Kombo & Tromp, 2006). Permission to conduct the research was sought from head office Nairobi, strategic and planning department. Once permission was granted the regional and branch managers were formally informed and the purpose of study explained to them for their consent and cooperation.

3.6.1 Validity

Validity refers to the extent to which the instrument collects data that is meant to collect. It is the degree to which results obtained from the analysis of data actually represent the phenomenon under study. In this study, ensuring validity of the data collection involved going through the questionnaires in relation to the set objectives and making sure that they contain all information that enabled answering the objectives.

3.6.2 Reliability

Reliability measures the degree to which a research instrument yields consistent results or data after repeated trials. To ensure reliability, the questionnaires were pre-tested on a few selected respondents from Great Rift region. The purpose of the pre-test was to refine the instrument so that respondents have no problems in answering the questions, and in reporting and recording data. In this study, a reliability co-efficient (alpha value) of 0.9 was obtained and therefore the questionnaires were found to be reliable. The questionnaire is considered reliable if it has a co-efficient (alpha value) of at least 0.7

3.7 Data Analysis and Presentation

The data collected was organized and edited to correct errors made during data collection before being coded and keyed into the computer for analysis with the aid of Statistical Packages for Social Sciences (SPSS) version 11. Descriptive statistics such as frequencies, means and pie charts was computed. Correlation analysis was used to establish the relationship between the independent variables and dependent variables. Regression analysis determined the combined effect of independent variables (growth strategies) on the dependent variables (firm performance). Regression analysis was used to test hypothesis 5 and the linear regression model $OP= a + B_1BN + B_2MP + B_3PD+ B_4D + e$ was used

Where:

OP= Organizational performance which is the dependent variable

a= minimum value of the dependent variable if all the independent variables are zero

B_1= Coefficient of Branch network (BN)

B_2=Coefficient of Market penetration (MP)

B_3=Coefficient of Product development (PD)

B_4=Coefficient of Diversification (D)

e=Error variable

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1. Introduction

The study examined the effect of growth strategies on performance of Kenya Commercial Bank. The study involved a census of 187 out of which 148 responded to questionnaires forming 79% response rate. The results of data analysis are presented and discussed as follows:

4.2 Respondents' Characteristics and Bank Profile

This section presents a brief description of the demographic characteristics of the sampled respondents and the profile of the Kenya Commercial Bank branches involved in this study. Such a description is considered to be very important in providing a better understanding of the respondents included in the study and therefore provide a good foundation for a detailed discussion of the results based on the stipulated objectives of the study. The demographic characteristics included respondents', gender, designation, level of education and region of origin.

4.2.1 Distribution of the respondent by gender

According to study findings (table 4. 2.1), out of the total 148 study respondents, 71.6% were male whereas 28.4% were female respondents. This data showed that majority of respondents were males.

Table 4.2.1. Respondents' gender

Gender	Frequency	Percent
Male	106	71.6
Female	42	28.4
Total	**148**	**100.0**

Source; Research data, 2012

4.2.2 Respondents' designation

The study findings (figure 4.2.2) established that 12.2% of respondents were regional managers while 87.8% were branch managers.

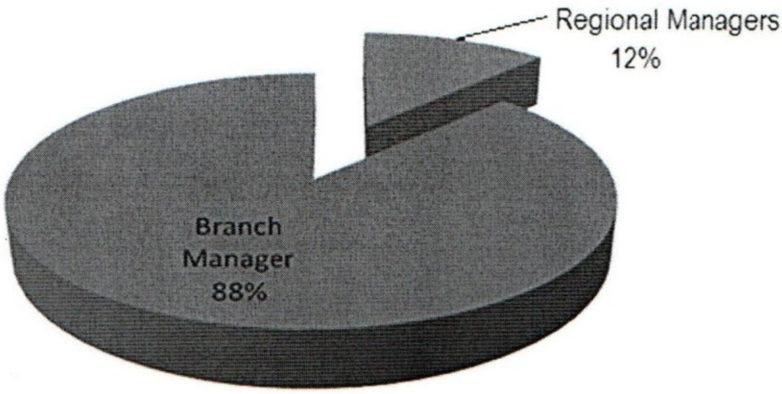

Figure 4.2.2 Respondents' designation

Source; research data, 2012

4.2.3 Respondents' education level

According to study findings (table 4.2.3), 85.1% of respondents had University education, 13.5% had attained college education while only 1.4% had attained other forms of education. This data showed that majority of respondents had attained either diploma or university education.

Table 4.2.3. Respondents' level of education

Level	Frequency	Percent
College	20	13.5
University	126	85.1
Others	2	1.4
Total	**148**	**100.0**

Source; research data, 2012

4.2.4 Distribution of respondents by regions

The study assessed the distributions of the study respondents by their regions. According to study findings (figure 4.2.4), 24% of respondents were from Nairobi region, 18% were from Western region, 21% were from Central region, 18% were from Coast while 19% were from Great rift.

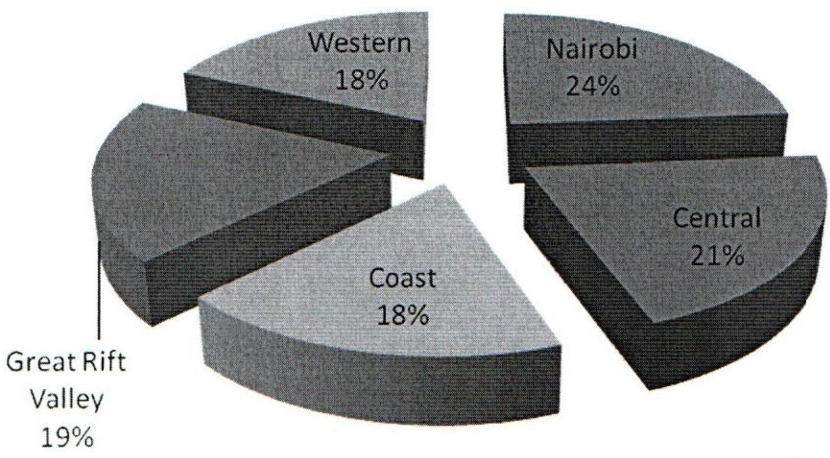

Figure 4.2.4. Respondents' distribution by region

Source; research data, 2012

4.3 Description of the Bank Profile

This section presents a brief description the profile of the Kenya Commercial Bank branches involved in this study. Such a description is considered to be very important in providing a better understanding of the organization and therefore provide a good foundation for a detailed discussion of the results based on the stipulated objectives of the study. The profile of the banks included year of establishment, estimated market share, branch network, and number of new branches intended to be opened during current strategic plan period and number of branches opened during the current period.

4.3.1 Year of establishment

According to study data (table 4.3.1) 25% of the KCB branches were established between 1991-1995, 20.9% between 2001-2005 , 16.9% between 1996-2000, 16.2% between 1975-1980, 7.4% between 1981-1985 and before 1975, 4.1% between 2006-2011 whereas 2.0% were established between 1986-1990. A significant proportion of the KCB branches were established between 1991 and 2005.

Table 4.3.1 Year of establishment

Period	Frequency	Percent
Before 1975	11	7.4
1975-1980	24	16.2
1981-1985	11	7.4
1986-1990	3	2.0
1991-1995	37	25.0
1996-2000	25	16.9
2001-2005	31	20.9
2006-2011	6	4.1
Total	**148**	**100.0**

Source; research data, 2012

4.3.2 Branch's estimated position (market share)

The study assessed the branch's estimated position (market share) and findings summarized in Figure 4.3.2. According to study findings, 45.3% of the branches reported to be in the second position, 39.9% were in first position, 13.5% were in third position, 1.4% were in fourth position while 0.7% were in fifth position. These findings indicate that majority of the KCB branches were in favorable positions (first and second) in terms of market share compared to other banks in their respective regions.

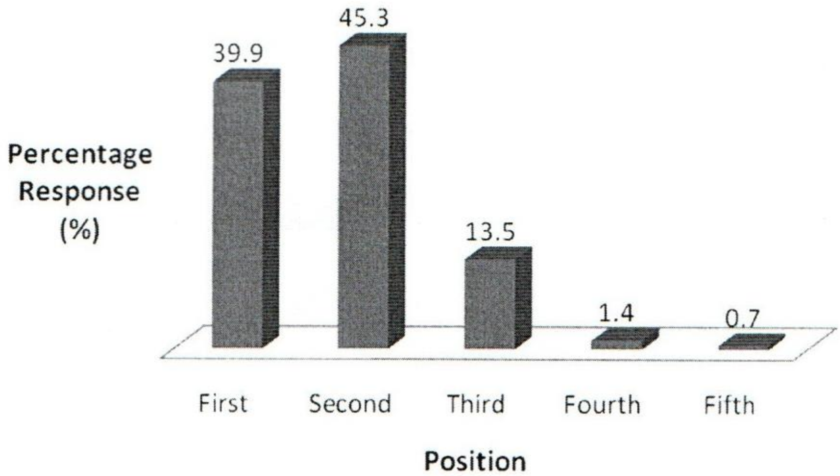

Figure 4.3.2. Banks' estimated position (market Share)

Source; research data, 2012

4.3.3 Number of branch network in the region

The study found out that 59.5% of the regions had between 21-30 branches, 20.3% had 41-50 branches, 19.6% had between 31-40 branches whereas only 0.7% of the regions had 51-60 branches (table 4.3.3). These findings indicate that in majority of regions Kenya Commercial Bank had between 21-30 branches

Table 4.3.3. Number of branch network in the region

Number	Frequency	Percent
21-30	88	59.5
31-40	29	19.6
41-50	30	20.3
51-60	1	.7
Total	**148**	**100.0**

Source; research data, 2012

4.3.4 New Branches to be established in the current strategic plan period

The study findings (figure 4.3.4) show that in 51.4% of the regions, 1-3 new branches were intended to be established during the current strategic plan period, 39.2% (4-5 branches), 6.1% (6-8 branches), 2.7% (> 8 branches) and 0.7% (None). These findings generally reveal that majority of regions had intended to establish between 1-5 new branches in the current planning period.

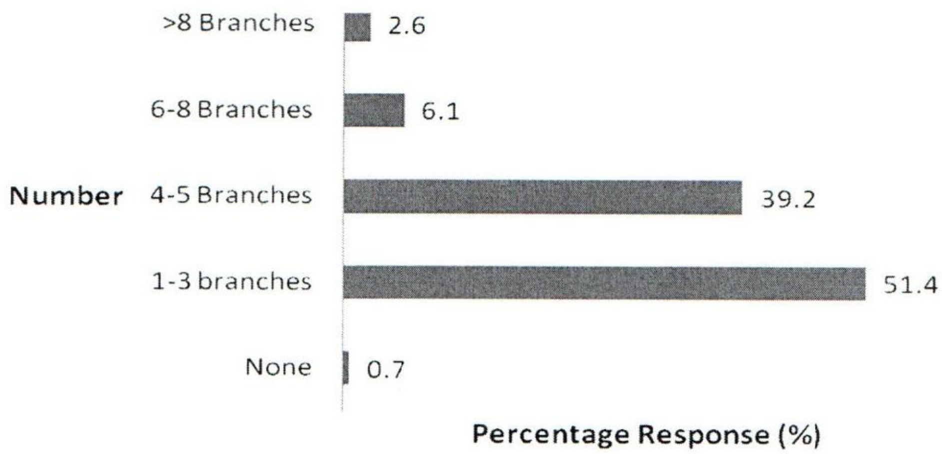

Figure 4.3.4. New branches to be established in the current strategic plan

Source; research data, 2012

4.3.5 Number of branches Opened during Current Strategic Plan

The study findings (table 4.3.5) reveal that in 70.3% of the regions, 1-3 new branches were opened during the current strategic plan period, 13.5% (4-5 branches), 7.4% (>8 branches), 5.4% None) and 3.4% (6-8 branches). These findings generally reveal that majority of regions (70.3%) opened between 1-3 new branches in the current planning period.

Table 4.3.5. Number of branches opened during current strategic plan

Number	Frequency	Percent
None	8	5.4
1-3	104	70.3
4-5	20	13.5
6-8	5	3.4
>8	11	7.4
Total	**148**	**100.0**

Source; research data, 2012

4.4 Effects of Growth Strategies on Performance of Kenya Commercial Bank

The study sets to examine the effect of growth strategies on performance of Kenya Commercial Bank. In order to achieve this, the study examined the various aspects of growth strategies such as: Branch expansion, Market penetration, Product development (SME Loans and Accounts) and diversification as discussed in the sections below.

4.4.1 Effect of branch expansion on performance of Kenya Commercial Bank

The respondents were asked to indicate the extent to which they disagree or agree with various aspects of branch expansion in their respective branches. The five-point Likert scale with Not sure (1), No increase (2), Negligible increase (3), Slight Increase (4) and Great increase (5) was used. The results are presented in the table 4.4.1.

Table 4.4.1 Effect of branch expansion on performance

Statement	Percentage Responses (%)					Mean
	Not sure	No increase	Negligible increase	Slight Increase	Great increase	
The effect of branch expansion on customer base	0.0	0.0	0.0	22.3	77.7	**4.777**
The effect of branch expansion on customer deposits	0.0	0.0	0.0	26.4	73.6	**4.736**
The effect of branch expansion on bank revenue	1.4	0.7	4.7	35.8	54.4	**4.473**

Source; research data, 2012

The study revealed that 77.7% of the respondents reported that branch expansion greatly increased customer base whereas 22.3% slightly increased customer base. This implies that branch expansion strategy led to significant increase in customer numbers. Study findings also indicate that, 73.6% of the respondents reported that branch expansion greatly increased customer deposits whereas 26.4% slightly increased customer deposits. This implies customer deposits increased significantly as a result of branch expansion. In addition, 54.4% of the respondents reported that branch expansion greatly increased bank revenue, 35.8% slightly increased bank revenue, 4.7% reported negligible increase, 0.7% reported no increase whereas 1.4% were not sure. This showed that bank revenue is affected by many other factors.

On the basis of the statistical means obtained (table 4.4.1), the extent to which the branch expansion affected performance in order of magnitude was as follows: Customer base (4.777), customer deposits (4.736) and bank revenue (4.473). With regard to the overall effect of branch expansion on performance in the banks, survey data (Figure 6) shows that 81% of the respondents reported high, 14% reported to moderate and only 5% reported low. The study findings indicate that branch expansion greatly affected performance of Kenya Commercial Banks.

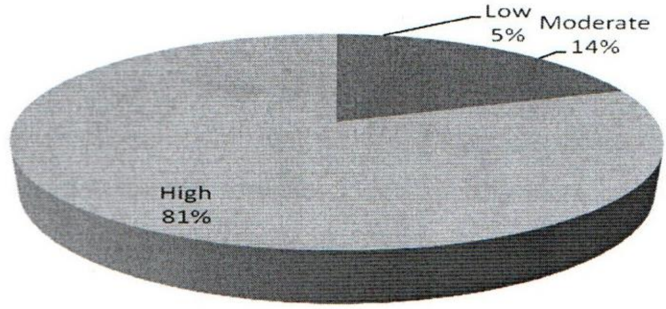

Figure 4.4.1. Overall effect of branch expansion on performance

Source; Research data, 2012

4.5. Effect of Market Penetration on Performance of Kenya Commercial Bank

The five-point Likert scale with Not sure (1), No increase (2), Negligible increase (3), Slight Increase (4) and Great increase (5) was used. The results are presented in the table 4.5.

Table 4.5. Effect of market penetration on performance

Statement	Percentage Responses (%)					Mean
	Not sure	**No increase**	**Negligible increase**	**Slight Increase**	**Great increase**	
The effect of market penetration on customer base	0.0	0.0	6.8	29.7	63.5	**4.567**
The effect of market penetration on customer deposits	2.0	2.0	6.1	38.5	53.4	**4.412**
The effect of market penetration on Bank revenue	6.1	4.1	6.1	35.8	48.0	**4.155**

Source; research data, 2012

The study findings revealed that 63.5% of the respondents reported that market penetration greatly increased customer base, 29.7% slightly increased customer base while 6.8% reported negligible increase. This implies that market penetration strategy positively affected customer numbers. 53.4% of the respondents reported that market penetration greatly increased customer deposits, 38.5% slightly increased customer deposits, 6.1% reported negligible increase, 2% reported no increase whereas 2% were not sure. The study finally revealed that 48% of the respondents reported that market penetration greatly increased bank revenue, 35.8% slightly increased bank revenue, 6.1% reported negligible increase, and 4.1% reported no increase whereas 6.1% were not sure.

On the basis of the statistical means obtained (table 4.5), the extent to which the market penetration affected performance in order of magnitude as follows: Customer base (4.567), customer deposits (4.412) and bank revenue (4.155). On the extent to which market penetration influenced performance in the banks, survey data (tigure 4.5) shows that 58.1% of the respondents reported high, 36.5% reported moderate while only 5.4% reported low. The study findings indicate that growth strategies in terms of market penetration greatly affected performance in Kenya Commercial Bank.

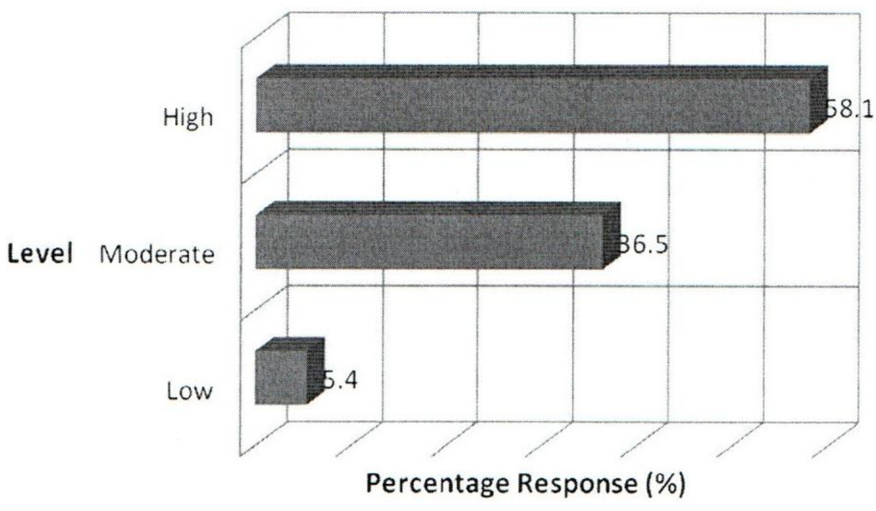

Figure 4.5. Overall Effect of Market Penetration on Performance

Source; research data, 2012

4.6 Effect of Product Development on Performance in Kenya Commercial Bank

In order to achieve this objective, the study examined the various aspects of product development such as: SME loans and Accounts as discussed in the sections below;

4.6.1 Number of Major SMEs that took loan from your branch in last 3 years

The study found (table 4.6.1) out that 54.7% of the respondents reported that more than 10 SMEs took loan from their respective branches, 19.6% reported 4-6 SMEs, 13.5% reported 1-3 SMEs and 12.2% reported 7-9 SMEs. These findings indicate that majority of major SMEs had taken loans from KCB branches.

Table 4.6.1. Major SMEs that took loan from your branch in the last 3years

Number	Frequency	Percent
1-3	20	13.5
4-6	29	19.6
7-9	18	12.2
>10	81	54.7
Total	**148**	**100.0**

Source; research data, 2012

4.6.2 Respondent's satisfaction with SME product development

According to study findings (figure 4.6.2), 65% of the respondents reported that they were satisfied with SME product in their respective branch, 18% were very satisfied, 13% were neutral, 3% were dissatisfied whereas 1% were very dissatisfied. These findings indicate that majority of respondents were generally satisfied with SME product offered in their respective branches.

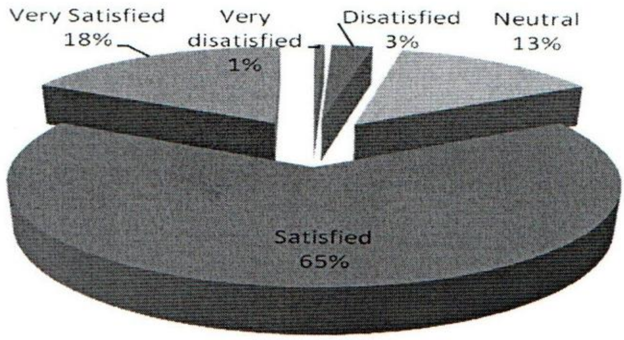

Figure 4.6.2. Level of satisfaction with SME product development

Source; research data, 2012

4.6.3 Reasons for impressive loan opportunities in the branches by SMEs

The study findings (table 4.6.3) show that in 47.3% of the respondents reported that sales/marketing initiatives were responsible for impressive loan opportunities in their branches by SMEs, 41.2% attributed it to easy loan acquisition procedures, 6.1% attributed it to easy loan repayment procedures, 4.1% reported other reasons while 1.4% reported low interest rates on loans. These findings generally reveal that the sales/marketing initiatives and easy loan acquisition procedures were the main reasons for impressive loan opportunities in their branch by SMEs.

Table 4.6.3. Reasons for impressive loan opportunities in the branches by SMEs

Reason	Frequency	Percent
Easy loan acquisition procedures	61	41.2
Low interest rates on loans	2	1.4
Easy loan repayment procedures	9	6.1
Sales initiative/marketing	70	47.3
Others	6	4.1
Total	**148**	**100.0**

Source; research data, 2012

4.6.4 Reasons for poor loan opportunities in the branches by SMEs

The study also assessed the reasons for poor loan opportunities in the branches by SMEs. On the basis of study findings (figure 4.6.4), 31.8% of respondents reported inability to meet loan conditions, 30.4% of reported high interest rates on loans, 25.7% reported lack of information on loans, and 8.1% reported un-healthy competition from other banks whereas 4% reported other reasons. It is evident from the findings that inability to meet loan conditions and high interest rates on loans were the main reasons for poor loan opportunities by SMEs in most branches.

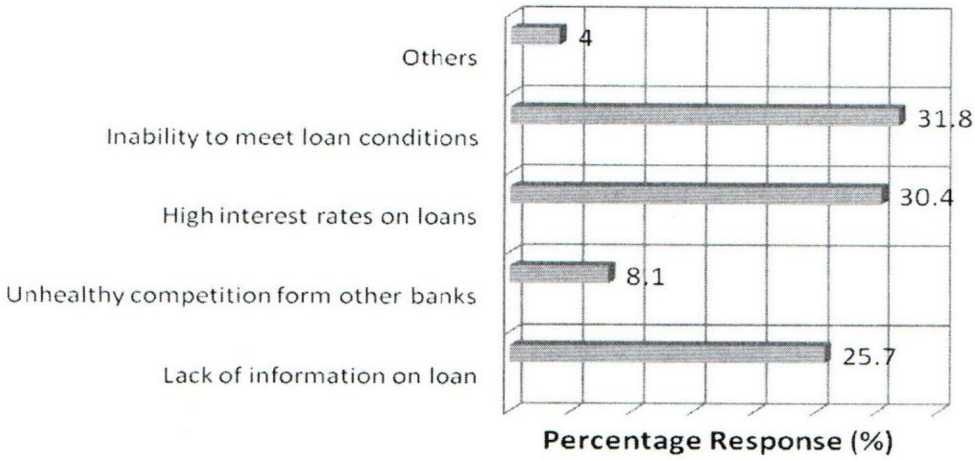

Figure 4.6.4. Reasons for poor loan opportunities in the branches by SMEs

Source; Research data, 2012

4.6.5 Number of accounts held in the branch/region

Study findings (Table 4.6.5) indicate that in 44.6% of the branches/regions there were 10001-15000 accounts, 23% had 5001-10000 accounts, 16.2% had more than 20000 accounts, and 12.8% had 15001-20000 accounts while 3.4% had less than 5000 accounts. These findings indicate that majority of branches/regions held between 5000 and 15000 accounts.

Table 4.6.5. Number of Accounts held in the branch

Number	Frequency	Percent
<5000	5	3.4
5001-10000	34	23.0
10001-15000	66	44.6
15001-20000	19	12.8
>20000	24	16.2
Total	**148**	**100.0**

Source; Research data, 2012

4.6.6. Reasons for few accounts held in the branch/region

The study established that in 33.8% of branches/regions, competition from other banks was responsible for the few accounts held, 11.5% reported poor market penetration initiatives, 10.5% reported lack of sales initiatives of the firms, 8.8% reported other reasons, and 5.4% reported non-responsive products to customer needs while 29.7% did not respond (Table 4.6.6). The findings imply that a significant proportion of branches reported competition from other banks as responsible for the few accounts held.

Table 4.6.6. Reasons for few accounts held in the branch/region

Reason	Frequency	Percent
Competition from other banks	50	33.8
Non-responsive products to customer needs	8	5.4
Lack of sales initiatives	16	10.8
Poor market penetration initiatives	17	11.5
Others	13	8.8
No response	44	29.7
Total	**148**	**100.0**

Source; research data, 2012

4.6.7. Reasons for many accounts held in the branch/region

The study established that in 51.4% of branches/regions, wide branch network was responsible for the many accounts held, 21.6% reported effective penetration initiatives, and 16.4% reported product variety to choose from, 8.5% reported innovative product development while 2.1% reported other reasons (Figure 4.6.7). The findings imply that a significant proportion of branches reported wide branch network as responsible for the many accounts held.

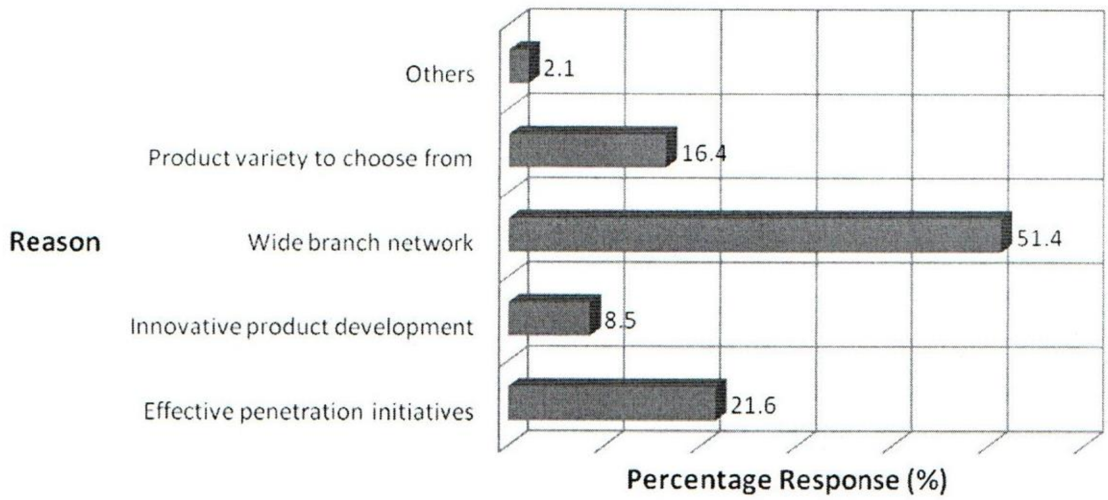

Figure 4.6.7. Reasons for many accounts held in the branch/region

Source; research data, 2012

4.6.8 Effect of product development on the performance of KCB

The five-point Likert scale with Not sure(1), No increase(2), Negligible increase (3), Slight Increase(4) and Great increase (5) was used to measure effect of product development on performance. The results were presented in the table 4.6.8.

Table 4.6.8. Effect of product development on performance of KCB

Statement	Percentage Responses (%)					Mean
	Not sure	**No increase**	**Negligible increase**	**Slight Increase**	**Great increase**	
The effect of product development on customer base	4.1	0.0	2.7	32.4	60.8	**4.459**
The effect of product development on customer deposits	4.1	0.0	4.1	30.4	61.5	**4.452**
The effect of product development on Bank revenue	7.4	0.0	4.1	33.1	54.4	**4.290**

Source; research data, 2012

The study findings indicate that 60.8% of the respondents reported that product development greatly increased customer base, 32.4% slightly increased customer base, and 2.7% reported negligible increase, whereas 4.1% were not sure. Also, 61.5% of the respondents reported that product development greatly increased customer deposits, 30.4% slightly increased customer deposits, 4.1% reported negligible increase, while 4.1% were not sure. Finally, study findings reveal that 54.4% of the respondents reported that product development greatly increased bank revenue, 33.1% slightly increased bank revenue, and 4.1% reported negligible increase, whereas 7.4% were not sure.

On the basis of the statistical means obtained (Table 4.6.8), the extent to which the product development affected performance in order of magnitude: customer base (4.459), customer deposits (4.452) and bank revenue (4.290). On the overall effect of product development on performance of Kenya Commercial Bank, survey data (figure 4.6.8) shows that 67.6% of the respondents reported high, 26.4% reported moderate while only 6.1% reported low. The study findings indicate that growth strategies in terms of product development greatly affected performance of Kenya Commercial Bank.

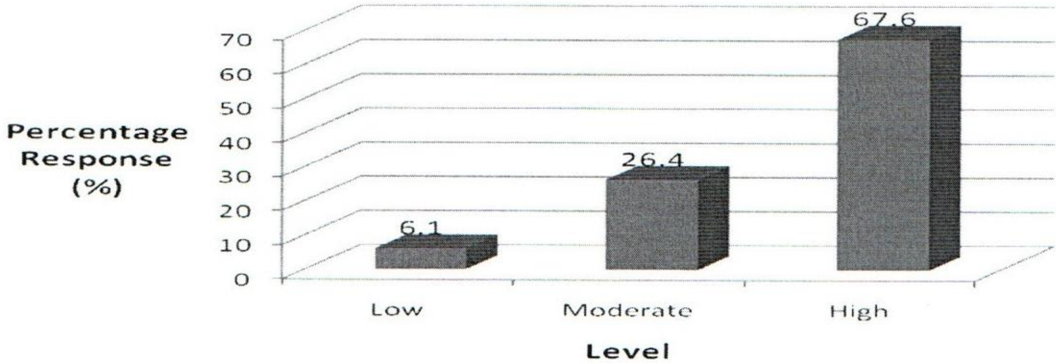

Figure 4.6.8. Overall effect of product development on performance of KCB

Source; research data, 2012

4.7 Effect of Product Diversity on Performance of Kenya Commercial Bank

The study sought to examine the effect of product diversity on performance of Kenya Commercial Bank. This was done with specific reference to money transfer services. On whether the bank had relationship with mobile phone companies on money transfers, the study established that 99% of branches reported having money transfer services with mobile phone companies while 1% did not respond (figure 4.7).

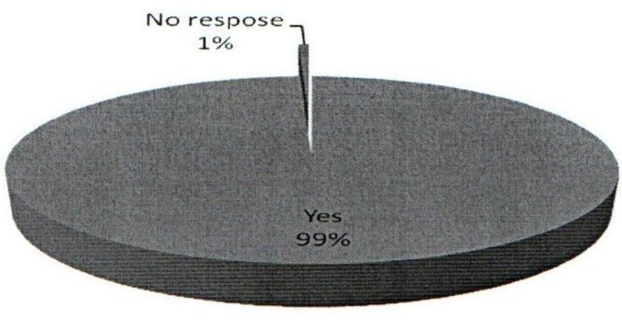

Figure 4.7. Bank's Relationship with Mobile Phone Companies on Money Transfers

Source; Research data, 2012

4.7.1 Effect of diversification (money Transfer Service) on Performance of KCB

The five-point Likert scale with Not sure(1), No increase(2), Negligible increase (3), Slight increase(4) and Great increase (5) was used to measure effect of product diversity on performance. The results were presented in the table 4.7.1.

Table 4.7.1. Effect of diversification on performance of KCB

Statement	Percentage Responses (%)					Mean
	Not sure	No increase	Negligible increase	Slight Increase	Great increase	
The effect of product diversity on customer base	4.7	0.0	0.0	33.8	60.8	4.554
The effect of product diversity on customer deposits	0.7	0.0	5.4	37.8	56.1	4.486
The effect of product diversity on Bank revenue	4.7	0.0	6.8	41.2	47.3	4.264

Source; research data, 2012

The study findings indicate that 60.8% of the respondents reported that diversity greatly increased customer base, 38.8% slightly increased customer base whereas 4.7% were not sure. Further, 56.1% of the respondents reported that product diversity greatly increased customer deposits, 37.8% slightly increased customer deposits, 5.4% reported negligible increase, while 0.7% were not sure. Finally, study findings showed that 47.3% of the respondents reported that product diversity greatly increased bank revenue, 41.2% slightly increased bank revenue, 6.8% reported negligible increase, whereas 4.7% were not sure.

On the basis of the statistical means obtained (Table 4.7.1), the extent to which the product diversity affected performance in order of magnitude: customer base (4.554), customer deposits (4.486) and bank revenue (4.264). On the overall effect of product diversity on performance in the Kenya Commercial Bank, survey data (Figure 4.7.1) shows that 68% of the respondents reported high, 26% reported moderate while only 6% reported low. The study findings indicate that growth strategies in terms of diversification greatly affected performance in Kenya Commercial Bank.

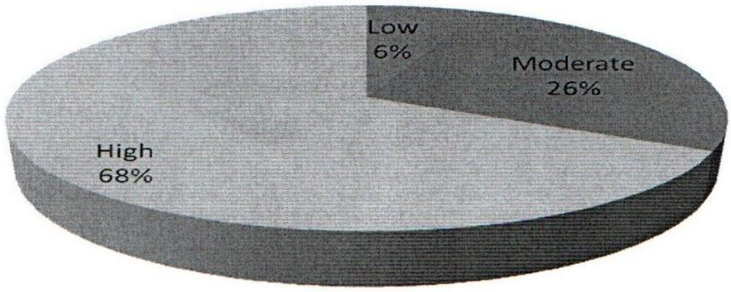

Figure 4.7.1. Overall effect of diversification on performance

Source; research data, 2012

4.8 Hypotheses Testing of Growth Strategies and Organization Performance

In order to determine the effect of growth strategies on performance of Kenya Commercial Bank in Kenya, the overall index score of various aspects of growth strategies (such as Branch expansion, Market penetration, , Product development and diversification) were correlated with performance index (Customer base, customer deposits and bank revenue). The results of correlation analysis were summarized in table 4.8.1.

Table 4.8.1. Correlation Matrix

Variables		Branch expansion index	Market Penetration index	Product development index	Diversification index	Perfor ind
Branch expansion	Pearson Correlation	1	.426**	.137	.285**	.61
	Sig. (2-tailed)		.000	.166	.000	.0
	N	148	148	148	148	14
Market penetration	Pearson Correlation	.426**	1	.269**	.208*	.55
	Sig. (2-tailed)	.000		.006	.011	.0
	N	148	148	148	148	14
diversification	Pearson Correlation	.285**	.208*	.608**	1	.70
	Sig. (2-tailed)	.000	.011	.000		.0
	N	148	148	148	148	14
Product development	Pearson Correlation	.137	.269**	1	.608**	.43
	Sig. (2-tailed)	.166	.006		.000	.0
	N	148	148	148	148	14
Performance index	Pearson Correlation	**.618****	**.557****	**.436****	**.704****	1
	Sig. (2-tailed)	.000	.000	.000.	.000	
	N	148	148	148	148	14

** Correlation is Significant at the 0.01 level (2- tailed).

H_{01}: Branch network expansion does not significantly influence the performance of Kenya Commercial bank

The results showed that branch expansion strategy significantly influenced organizational performance ($r = 0.618$, $P < 0.01$), as indicated in table 4.8.1 above. This means that the correlation between branch expansion and performance of KCB was found to be positive and therefore the null hypothesis (H_0), that branch network expansion does not significantly influence the performance of Kenya Commercial bank was rejected. These results are therefore consistent with other studies that have shown a significant and positive correlation between branch expansion and organisational performance. Wide branch networks ensures that customers get easy access to services and promotes convenience which in turn maintains customer commitment, which increases the relationship strength between suppliers and customers and leads to loyalty, this is central to the growth of organization's customer base. (Morgan & Hunt 1994)

H_{02}: Market penetration does not significantly influence the performance of Kenya Commercial Bank

The study findings indicate that market penetration significantly influenced organizational performance ($r = 0.557$, $P < 0.01$) as shown in table 4.8.1. A positive correlation was found between market penetration growth strategy and the performance of Kenya commercial bank. This relationship is significant thus the null hypothesis (H_{02}) that market penetration does not significantly influence the performance of Kenya Commercial Bank was rejected. These results are consistent with other studies that show a significant and positive correlation between market penetration strategies and performance. Stremersch & Tellis (2004) observe that market development is used to open additional geographical markets, which eventually increases market share; since wide market coverage leads to increased sales volume and firm profitability.

H_{03}: Product development does not significantly influence performance of Kenya Commercial Bank

In addition, study findings reveal that product development significantly influenced organizational performance ($r = 0.436$, $P < 0.01$) in the correlation table above. This implies that the relationship between product development correlate positively with the performance of the bank thus the null hypothesis (H_{03}) that product development does not significantly influence the performance of Kenya Commercial Bank should be rejected. These results are inconsistent with other studies that have shown that there is no significant influence of product development on performance. Acar (1993) argues that not all product development leads to increased performance.

H_{04}: Diversification does not significantly influence performance of Kenya Commercial Bank

Findings also indicate that diversification significantly influenced performance (r =0. 704, P< 0.01), whereby a strong positive relationship is indicated between the diversification and performance of Kenya Commercial Bank. This implies that the bank achieved great performance as a result of diversification thus the null hypothesis (H_{04}) that diversification does not significantly influence performance of Kenya Commercial Bank should be rejected. These results are consistent with other studies that have shown a significant and positive correlation between diversification and performance. Valos & Fitroy (1999) show that the impact of diversification strategy entails increasing firm stock value, increasing the growth rate of the firm, making an investment that represents better use of funds which plows them into internal growth, improving the stability of earnings.

H_{05}: No single growth strategies significantly influences the performance of Kenya Commercial bank

In order to determine the influence of the independent variables on the dependent variables, regression analysis was done. To achieve this, the various independent variables such as Branch expansion, Market penetration, Product development and diversification were regressed on the overall organizational performance. The results of the regression analysis are presented below:

Table 4.8.2. Model Regression Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873[a]	.762	.753	.30268

a. Predictors: (Constant), product development index, Branch expansion index, Market penetration index, Product diversification index

Consequently, regression summary model (Table 4.8.2) the co-efficient of determination (R^2) indicated a value of 0.873 and $R^2 = 0.762$ or 76.2%. These findings confirm that the observed change in organizational performance attributed to the elements of growth strategies (Branch expansion, market penetration,diversification and product development is 76.2% hence, the study hypothesis that combined growth strategies do not significantly influence organizational performance in Kenya Commercial bank was rejected. The remaining proportion of 23.8% could be explained by other factors such human resource practices, customer care programs, political climate as well as the country's economic performance and also by chance or error.

Table 4.8.3. Regression of growth strategies on organizational performance

	Un-standardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Variables	B	Std. Error	Beta	T	Sig.	Tolerance	VIF
(Constant)	-.197	.365		-.540	.590		
Branch expansion index	.326	.057	.310	5.763	.000	.829	1.207
Market penetration index	.345	.055	.344	6.302	.000	.805	1.242
Product diversification index	.638	.064	.623	9.940	.000	.611	1.638
Product development index	-.020	.016	-.079	-1.241	.217	.597	1.674

a. Dependent Variable: Combined effect index

On the basis of the significant values (Table 4.8.3), elements of growth strategies namely; Branch expansion (P=0.000), Market penetration (P=0.000), Product diversification (P=0.000) were found to significantly influence organizational performance since (P< 0.01). It was evident that product development does not contribute to the model (P=0.217) since (P> 0.01).

Regression analysis confirms that diversification has the highest contribution to performance (β=0.623), followed by market penetration (β=0.344). In third position is branch expansion (β= 0.310) and lastly product development contribute negatively to the model (β= -0.079).

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

On demographic Characteristics of the study respondent, the findings revealed that out of the total 148 study respondents, majority of respondents (71.6%) were males, 12.2% of respondents were regional managers while 87.8% were branch managers. 41% of respondents were from Nairobi region, 37.5% were from Western region while 21.5% were from central region. Majority of respondents had attained either diploma or university education therefore education was considered very vital for managers to perform more effectively and efficiently.

The study findings on the bank's profile indicated that a significant proportion of the KCB branches were established between 1991 and 2005. Majority of the KCB branches were in favorable positions (first and second) in terms of market share compared to other banks in their respective regions. It was also established that most regions of Kenya Commercial Bank had between 21-30 branches. While majority of regions had intended to establish between 1-5 new branches in the current planning period, (70.3%) opened between 1-3 new branches in the current planning period.

In relation to branch expansion on Performance of Kenya Commercial Bank the performance index was 81%. This implied that branch expansion greatly affected performance of Kenya Commercial Bank, with a greater impact on customer base. Correlation results showed that branch expansion strategy significantly influenced organizational performance ($r = 0.618$, $P < 0.01$). This means that the correlation between branch expansion and performance of KCB was found to be positive and therefore the null hypothesis (H_0), that branch network expansion does not significantly influence the performance of Kenya Commercial bank was rejected

Performance index of market penetration was 58.1%, implying that market penetration moderately affected performance of Kenya Commercial Bank, with the greatest impact on customer numbers. The correlation results indicated that market penetration positively affected performance of Kenya Commercial Bank (r =0.557, $P< 0.01$). A positive correlation was found between market penetration growth strategy and the performance of Kenya commercial bank. This relationship is significant thus the null hypothesis (H_{02}) that market penetration does not significantly influence the performance of Kenya Commercial Bank was rejected.

Product development performance index was found to be 67.6% with the greatest impact on customer numbers. The correlation analysis results show that there was a positive significant relationship between product development and performance (r =0.436, $P< 0.01$). This implies that product development correlate positively with the performance of the bank thus the null hypothesis (H_{03}) that product development does not significantly influence the performance of Kenya Commercial Bank was rejected.

On diversification, the performance index was found to be 68% with the greatest impact on customer numbers. Correlation analysis findings indicated that diversification significantly affected performance in Kenya Commercial Bank (r =0.704, $P< 0.01$). Based on correlation analysis results there was a positive significant relationship between diversification and performance therefore the null hypothesis (H_{04}) that product development does not significantly influence the performance of Kenya Commercial Bank was rejected was rejected.

On the combined effect of growth strategies on organizational performance, results of regression analysis reveal that the independent variables (branch expansion, market penetration and diversification), significantly influenced organizational performance which was the dependent variable. Diversification had the highest contribution to performance (β=0.623), market penetration (β=0.344), branch expansion (β= 0.310) and product development makes the negative contribution to the model (β= -0.079. The findings further confirm that the growth strategies explained 76.2% of the bank performance. In summary, the study hypothesis 5 that no single growth strategy significantly influences the performance of Kenya Commercial bank was rejected.

5.2 Conclusion

On the basis of descriptive findings, it can be concluded that the overall level of performance in terms of customer base, customer deposits and bank revenue within the bank was found to be generally high with customers base rated highest followed by bank deposits and lastly bank revenue. This implies that the banks' growth strategies have impacted more on customer base and slightly less on customer deposits and revenue.

Based on study hypotheses, the study concluded as follows: Hypothesis 1 which states that branch network expansion does not significantly influence the performance of Kenya Commercial bank, the correlation between branch expansion and performance of KCB was found to be positive and therefore branch network expansion significantly influence the performance of Kenya Commercial bank.

Hypothesis 2 which states that Market penetration does not significantly influence the performance of Kenya Commercial Bank, a positive correlation was found between market penetration growth strategy and the performance of Kenya commercial bank. This study thus concluded that market penetration significantly influenced the performance of Kenya Commercial Bank.

With regard to hypothesis 3 which states that product development does not significantly influence performance of Kenya Commercial Bank, product development was found to correlate positively with the performance of the bank thus product development significantly influenced the performance of Kenya Commercial Bank. Nevertheless, in terms of combined effect of growth strategies, product development had no influence to the regression model. This implies that product development is realized only to attract and appeal to the customers more as opposed to the bank benefiting in terms of revenue.

Hypothesis 4 which states that diversification does not significantly influence performance of Kenya Commercial Bank, a strong positive relationship was found between the diversification and performance of Kenya Commercial Bank. This implies that the bank achieved great performance as a result of diversification thus diversification significantly influenced performance of Kenya Commercial Bank.

Finally, hypothesis 5 which states that no single growth strategies significantly influences the performance of Kenya Commercial bank, the observed change in organizational performance attributed to the elements of growth strategies (Branch expansion, Market penetration, diversification and product development)t was 76.2% with the remaining proportion of 23.8% explained by other factors such human resource practices, customer care programs, political climate as well as the country's economic performance and also by chance or error. Furthermore, regression analysis confirms that diversification has the highest contribution to performance (β=0.623), followed by market penetration (β=0.344). In third position is branch expansion (β= 0.310) while product development had a negative contribution to the model (β= -0.079). In summary, the study concluded that combined growth strategies significantly influenced performance of Kenya Commercial Bank.

5.3 Recommendations

5.3.1 Recommendation to Kenya Commercial Bank

It is evident from the descriptive findings that the banks' growth strategies have impacted more on customer base and less on customer deposits and revenue. Therefore, the bank should effectively implement the growth strategies to achieve a balance on the overall performance in terms of customer deposits and revenue.

It is also evident from hypothesis testing that the growth strategies applied by the bank (branch network expansion, market penetration, product development and diversification), diversification had the greatest impact on performance which means banks should continue venturing into more innovative activities but also focus on offering their customers value for their money for sustainable business prospects. Product development had the least influence on performance of Kenya Commercial Bank. Consequently, the bank should focus more on customers' needs to develop more innovative and appropriate product differentiation strategies that will not only appeal and attract customers but also actively retain and sustain them in the long term. Product training by staff should also be employed to improve staff knowledge for effective and efficient product development strategy implementation.

In addition, it was noted from findings the growth strategies applied by the bank significantly influenced the performance of Kenya Commercial bank. This study recommends that in order to achieve higher organizational performance KCB should consider using combined application of growth strategies for sustainable growth and performance.

5.3.2 Recommendation for further research

A replica of the same study should be done in other commercial banks with a wider scope to include the views of customers. Further research studies should also consider investigating other growth strategies that may not have been covered in this study.

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APPENDIX I

QUESTIONNAIRE

This questionnaire is designed to obtain information on the effect of growth strategies on performance of Kenya Commercial Bank. Please respond to all the questions.

Section A: Profile of banks and Respondents

(Kindly tick or give response as appropriate)

1. State your designation
   - ☐ Regional Manager
   - ☐ Branch Manager

2. State your gender
   - ☐ Male
   - ☐ Female

3. State your level of education
   - ☐ Secondary
   - ☐ College
   - ☐ University
   - ☐ Others. State.............
4. State your region
   - ☐ Nairobi
   - ☐ Central
   - ☐ Coast
   - ☐ Great Rift
   - ☐ Western
5. State your branch..................................

Year of establishment of the branch/region

- ☐ Before 1975
- ☐ 1975-1980
- ☐ 1981-1985
- ☐ 1986-1990
- ☐ 1991-1995
- ☐ 1996-2000
- ☐ 2001-2005
- ☐ 2006-2011

Section B- Branch Expansion network strategy

6. Out of the possible top five banks, state the estimated number in market share of your branch in the region
   - ☐ 1
   - ☐ 2
   - ☐ 3
   - ☐ 4
   - ☐ 5
7. State the number of branch networks in your region
   - ☐ 10-20
   - ☐ 21-30
   - ☐ 31-40
   - ☐ 41-50
   - ☐ 51-60

8. How many new branches did your organization intend to establish in the region in its current strategic plan?
   - ☐ None
   - ☐ 1-3
   - ☐ 3-5
   - ☐ 6-8
   - ☐ 0ver 8

9. How many branches have been opened in the region during the current strategic plan?
   - ☐ None
   - ☐ 1-3
   - ☐ 4-5
   - ☐ 6-8
   - ☐ 0ver 8

10. On a scale of 1-5 indicate the effect of branch expansion on customer base
    - ☐ (5) Vastly increased number of bank's customers
    - ☐ (4) Slightly increased number of bank's customers
    - ☐ (3) Negligibly increased number of bank's customers
    - ☐ (2) Not resulted in increase of number of customers
    - ☐ (1) Cannot tell

11. On a scale of 1-5 indicate the effect of branch expansion on bank deposits
    - ☐ (5) Vastly increased deposits
    - ☐ (4) Slightly increased deposits
    - ☐ (3) Negligibly increased deposits
    - ☐ (2) No effect on deposits
    - ☐ (1) Cannot tell

12. Using a scale of 1-5 indicate the effect of branch expansion on bank revenue
   - ☐(5) Vastly increased bank revenue
   - ☐(4) Slightly increased bank revenue
   - ☐(3)Negligibly increased bank revenue
   - ☐(2) No effect on bank revenue
   - ☐(1) Cannot tell

Section C- Market penetration strategy

13. Whether bank has relationship marketing with the government agencies.
   ☐Yes ☐No

14. Indicate the effect of having relationship marketing with government agencies on customer base on a scale of 1-5
   - ☐(5) Vastly increased number of bank's customers
   - ☐(4) Slightly increased number of bank's customers
   - ☐(3) Negligibly increased number of bank's customers
   - ☐(2) Not resulted in increase of number of customers
   - ☐(1) Cannot tell

15. Indicate the effect of having relationship with government agencies on bank deposits on a scale of 1-5
   - ☐(5) Vastly increased deposits
   - ☐(4) Slightly increased deposits
   - ☐(3) Negligibly increased deposits
   - ☐(2) No effect on deposits
   - ☐(1) Cannot tell

16. Using a scale of 1-5 indicate the effect of having relationship with government agencies on bank revenue
   - ☐ (5) Vastly increased bank revenue
   - ☐ (4) Slightly increased bank revenue
   - ☐ (3) Negligibly increased bank revenue
   - ☐ (2) No effect on bank revenue
   - ☐ (1) Cannot tell

17. Whether bank has opened special agents offices with relation to market penetration
   - ☐Yes
   - ☐No

18. Indicate the effect of having special agents' offices on customer growth using a scale of 1-5
   - ☐ (5) Vastly increased number of customers
   - ☐ (4) Slightly increased number of customers
   - ☐ (3) Negligibly increased number of customer

☐ (2) No effect on the number of customers
☐ (1) Cannot exactly tell the effect on customers

19. On a scale of 1-5 indicate the effect of having special agents' offices on customer deposits

☐ (5) Vastly increased deposits
☐ (4) Slightly increased deposits
☐ (3) Negligibly increased deposits
☐ (2) No effect on deposits
☐ (1) Cannot tell

20. Indicate the effect of having special agents' offices on bank revenue using a scale of 1-5

☐ (5) Vastly increased bank revenue
☐ (4) Slightly increased bank revenue
☐ (3) Negligibly increased bank revenue
☐ (2) No effect on bank revenue
☐ (1) Cannot tell

Section D – Product Development strategy

21. Out of 10 major SMEs, how many would you say have taken loan from your branch/region in the last three years?

☐ None
☐ 1-3
☐ 4-6
☐ 7-9
☐ Over 10

22. How satisfied/dissatisfied are you with SMEs product development in relation to the changing needs of customers and how their response to loan opportunities in your bank/region using a sale of 1-5

☐ (5) Very satisfied
☐ (4) Satisfied
☐ (3) Neutral
☐ (2) Dissatisfied
☐ (1) Very dissatisfied

23. What would you attribute the impressive response to loan opportunities in your branch/region by SMEs

☐ Easy loan acquisition procedures
☐ Low interest rates charged on loan
☐ Easy loan repayment procedures
☐ Sales initiatives/marketing
☐ Others. State……………………….

24. What would you attribute the poor response to loan opportunities in your bank/region by SMEs

- ☐ Lack of adequate information on loan
- ☐ Unhealthy competition from other banks
- ☐ High interest rates charged on loan
- ☐ Inability to meet loan conditions
- ☐ Others. State……………………………………………………

25. On a scale of 1-5 which of the following indicates the effect of SME sector on the customer growth?

- ☐ (5) Vastly increased number of customers
- ☐ (4) Slightly increased number of customer
- ☐ (3) Negligibly increased number of customers
- ☐ (2) No effect on the number of customers
- ☐ (1) Cannot exactly tell the effect on customers

26. Which of the following indicates the effect of SME sector on customer deposits on a scale of 1-5

- ☐ (5) Vastly increased deposits
- ☐ (4) Slightly increased deposits
- ☐ (3) Negligibly increased deposits
- ☐ (2) No effect on deposits
- ☐ (1) Cannot tell

27. Using a scale of 1-5 which of the following indicates the effect of SME sector on bank's revenue?

- ☐ (5) Vastly increased bank revenue
- ☐ (4) Slightly increased bank revenue
- ☐ (3) Negligibly increased bank revenue
- ☐ (2) No effect on bank revenue
- ☐ (1) Cannot tell

28. How would you estimate the number of accounts held in your branch/region

- ☐ Below 5000
- ☐ 5001-10000
- ☐ 10001-15000
- ☐ 15001-20000
- ☐ Above 20000

29. What would you attribute to the few accounts held in your bank/region if below 5000?

- ☐ Competition from others banks
- ☐ None responsive products to customers' needs
- ☐ Lack of sales initiatives
- ☐ Poor market penetration initiatives
- ☐ Others. State………………………………

30. What would you attribute to many accounts held in your bank/region if above 10000?
- ☐ Effective market penetration initiatives
- ☐ Innovative product development
- ☐ Wide branch network
- ☐ Product variety range to choose from
- ☐ Others. State..

31. Using a scale of 1-5 which of the following indicates the effect of accounts held in your branch/region on the customer growth?
- (5) ☐ Vastly increased customer base
- (4) ☐ Slightly increased customer base
- (3) ☐ Negligibly increased customer base
- (2) ☐ No effect on the customer base
- (1) ☐ Cannot exactly tell the effect on customer base

32. Which of the following indicates the effect all accounts held customer deposits on a scale of 1-5?
- (5) ☐ Vastly increased deposits
- (4) ☐ Slightly increased deposits
- (3) ☐ Negligibly increased deposits
- (2) ☐ No effect on deposits
- (1) ☐ Cannot tell

33. Which of the following indicates the effect accounts held on bank's revenue using a scale of 1-5?
- (5) ☐ Vastly increased bank revenue
- (4) ☐ Slightly increased bank revenue
- (3) ☐ Negligibly increased bank revenue
- (2) ☐ No effect on bank revenue
- (1) ☐ Cannot tell

Section E-Diversification Strategy

34. Whether bank has relationship with mobile phone companies on money transfer Services
- ☐ Yes
- ☐ No

35. If yes, on a scale of 1-5, has this helped in acquiring new customers?
- (5) ☐ Vastly increased number of bank's customers
- (4) ☐ Slightly increased number of bank's customers
- (3) ☐ Negligibly increased number of bank's customers
- (2) ☐ Not resulted in increase of number of customers
- (1) ☐ Cannot tell

36. Indicate the effect of having relationship with mobile phone services on bank deposits on a scale of 1-5

(5) ☐ Vastly increased deposits
(4) ☐ Slightly increased deposits
(3) ☐ Negligibly increased deposits
(2) ☐ No effect on deposits
(1) ☐ Cannot tell

37. Using a scale of 1-5 indicate the effect of having relationship with mobile phone services on bank revenue?

(5) ☐ Vastly increased bank revenue
(4) ☐ Slightly increased bank revenue
(3) ☐ Negligibly increased bank revenue
(2) ☐ No effect on bank revenue
(1) ☐ Cannot tell

APPENDIX II

LIST OF KENYA COMMERCIAL BANK BRANCHES

	Nairobi region	Central region	Great Rift	Western Region	Coast region
1	Advantage Gateway	Chogoria	Bomet	Bondo	Garsen
2	Advantage Haile Selassie	Chuka	Egerton university	Bungoma	Hola
3	Advantage Moi Avenue	Emali	Eldama Ravine	Busia	Kengeleni
4	Advantage University way	Embu	Eldoret	Homa Bay	Kibwezi
5	Biashara Street	Garissa	Eldoret West	Isibania	Kilifi
6	Buruburu	Gatundu	Flamingo	Kakamega	Kilindini
7	Capital Hill	Githunguri	Gilgil	Kehancha	Kisauni
8	Eastleigh	Isiolo	Iten	Keroka	Kwale
9	Gateway	Kangare	Kabarnet	Kilgoris	Lamu
10	Gikomba	Kangema	Kapenguria	Kimilili	Makindu
11	Industrial Area	Karatina	Kapsabet	Kisii	Malindi
12	Jogoo Road	Kerugoya	Kapsowar	Kisumu	Mariakani
13	Kajiado	Kianyaga	Kericho	Kisumu West	Mpeketoni
14	Karen	Kiriaini	Kitale	Luanda	Mtito -Andei
15	Kariobangi	Kitui	Letein	Malaba	Mtwapa
16	Kawangware	Kyuso	Londiani	Mbale	Mvita
17	Kiambu	Loitokitok	Maralal	Migori	Mwembe Tayari
18	KICC	Machakos	Marigat	Muhoroni	Taveta
19	Kikuyu	Makuyu	Moi's bridge	Mumias	Town Center
20	Kimathi Street	Masii	Naivasha	Nyamira	Treasury Square
21	Kipande House	Matuu	Nakuru	Oyugis	Ukunda
22	Kiserian	Maua	Nandi Hills	Rongo	Voi
23	Kitengela	Meru	Narok	Serem	Watamu
24	Limuru	Mukuruwe-ini	Njabini	Siaya	Wundanyi
25	Lodwar	Muranga	Njoro	Sondu	
26	Lokichoggio	Mutomo	Nyahururu	Ugunja	
27	Mandera	Mwea	Ol Kalou	United Mall	
28	Marsabit	Mwingi	Sotik	Webuye	
29	Mashariki	Nanyuki			
30	Milimani	Naro Moru			
31	Moi Avenue	Nkubu			
32	Moyale	Nyeri			
33	Namanga	Othaya			
34	Ngara	Ruiru			
35	Ongata Rongai	Tala			
36	Prestige Plaza	Thika			
37	River Road	Wote			
38	S&L Garden plaza				
39	S&L Haile Selassie				
40	S&L Salama house				
41	S&L sarit center				
42	Sarit Center				
43	Tom Mboya				
44	UN Gigiri				
45	Univesity Way				
46	Village Market				
47	Wajir				