CHALLENGES OF THE IMPLEMENTATION OF GROWTH STRATEGIES IN FINA BANK KENYA LIMITED

BY

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DECLARATION

I declare that this is my original work and it has not been submitted to any other university for academic credit.

Signed ~~Kimani~~ Date 10|11|2012

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

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I dedicate this project to my loving husband Daniel Njenga and my adorable daughter Shirley Nyambura Njenga. Daniel for his undying support and encouragement especially when I felt like quitting and Shirley for her big hugs every night after the evening classes.

ABSTRACT

Business growth is broadly defined since it involves various dimensions. For any organization to survive in a competitive environment it must experience growth is market share, customers, revenue and influence. Since growth determines whether a business survives or not, it is important for an organization to devise and implement strategies that will foster growth. The purpose of the study was to examine the growth strategies implemented by Fina Bank Kenya Limited and establish the challenges that the organization is encountering in implementing these challenges. The study was conducted through a case study on Fina Bank Kenya Limited. The primary data used in the study was collected through interviews that the researcher conducted with the Bank's departmental heads or representative. The results showed that the bank had adopted product and market development, outsourcing, acquisition, partnership and relationship management as the key growth strategies. It further showed that resource constraints, employees' attitude, organizational culture, regulatory framework and shareholder's influence were the main challenges the bank was encountering in implementation of the strategies. It was further observed that the success of the implementation process was dependent on how well the organization synchronizes all its operation with the laid down strategies.

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ABBREVIATIONS AND ACRONYMS

ATM	Automatic Teller Machines
BACAR	Banque Continentale Africaine du Rwanda
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
DCA	Development Credit Authority
KBA	Kenya Bankers Association
KPLC	Kenya Power and Lighting Company
NBFI	Non Banking Financial Institution
PIMS	Profit Impact Marketing Strategies
POS	Points of Sale
SMEs	Small and Medium Enterprises
USAID	United States Agency for International Development

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

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

The banking industry in Kenya has grown tremendously since the 1995 liberalization. The sector has proved to be vibrant and the number of banks has grown. The industry has a blend of big, medium and small banks as well as foreign and locally owned banks. Currently there are there are forty three licensed commercial banks and one mortgage finance company .Out of the forty four institutions registered by the Central Bank of Kenya, thirty one are locally owned and thirteen are foreign owned. The locally owned financial institutions comprise three banks with significant shareholding by the Government and State Corporations, twenty seven commercial banks and one mortgage finance institution.

Fina Bank Kenya Limited is a subsidiary of Fina Bank Group which commenced operations in January 1986. The organization initially started as Non Banking

Financial institution (NBFI) and was acquired by its current shareholders in 1991 and licensed by Central Bank of Kenya (CBK) as a fully fledged commercial bank. The bank has experienced growth that has enabled it open two subsidiaries in East Africa and expands its branch network, customer base and revenue. The bank has continually improved its products and services and has captured a significant part of Indian SME market as well as other SMEs in major urban centers.

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

1.1.1 The Concept of Growth Strategy

Growth must be broadly defined, although the Profit Impact Marketing Strategies (PIMS) have generally shown that growth in market share is correlated to profitability, other important forms of growth exists i.e. growth in the number of markets served, in the variety of products offered and in the technologies used to provide goods or services. Growth means change and proactive change is essential in a dynamic business environment.

The nature and degree of competition in an industry hinges on five forces namely, the threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products or services and the degree of competition among current contestants. To establish a strategic agenda for dealing with these contending currents and grow despite them a company must understand how they work in the industry and how their activities and strategic moves affect the company (Pearce and Robinson, 1997).

To ensure survival and success firms need to be able to manage threats and exploit opportunities. This requires the formulation of strategies that constantly match capabilities to environmental requirements. A growth strategy can be defined as a tactic used by management to expand the consumer market for company's product. In order to search for expansion opportunities in the environment organizations use growth strategies. According to Pearce and Robinson (1997) growth strategies are comprehensive approaches guiding the major actions designed to achieve long term objectives. For most strategic managers the solution is clear, distribute a small amount of profit now but sow most of it to increase the likelihood of a long term supply.

Hunger and Wheelen (1995) states that there are two basic growth strategies concentration and diversification. Concentration through horizontal integration is where firms expand into other geographic locations done by increasing range of products and services offered to current markets. Other strategies include coming up with new products and services in order to acquire new markets and channels and also aimed at retaining existing customers.

Diversification as a growth strategy is when companies diversify out of their current markets into a related industry. Hunger and Wheelen (1995) however cautions that only companies that are leaders in their core business and have capabilities needed for success in the new industries are likely to use this strategy. He emphasizes that this strategy requires a lot of commitment and financial strength and therefore any institution desiring to pursue this option must be well prepared and must have conducted sufficient market research.

Successful implementation of growth strategies requires management's full commitment and ability to communicate the importance of growth as well as strengthening the creation and circulation of new ideas to the employees. According to Prevost (2002) the true cup of business success is not found in adopting the latest efficiency technique rather it consists of understanding your business and making the various parts work smoothly together. To seamlessly integrate the operations of various units of an organization requires clear and thorough understanding of the forces that shape the industry in general and the organization in particular.

1.1.2 The Implementation of Growth Strategy

Most organizations both profit and not-for-profit in the 21st century have adopted strategy formulation as a key component of planning and managerial function. Thopson et al (2008) observes that a strategy can be easily formulated but the hardest bit which has made many companies fail as far as strategy issues are concerned is formulation. For a strategy to be successfully implemented it requires good management and a workforce that understands the need, urgency and importance of change in an attempt to adapt to the changing business environment.

The success of any organization does not depend only on the strength or creativity of its strategy but crucially on effective implementation of the laid down growth plan. Implementation of growth strategy can be broadly defined as the process through which as organization puts into action the chosen growth strategy. It is the process through which an organization actualizes the future plans as far as the direction the firm wants to take is concerned.

The process involves design of appropriate systems that enables an organization integrate people, structures, processes and resources with an ultimate goal of achieving the organizational objectives and goals. Growth strategy implementation requires sound management. This is because a good management process is fashioned and geared towards an organization's strategy needs. Since an organization cannot be better than its leadership, then implementation of growth strategy heavily depends on the managerial capability to provide leadership on implementation procedures. Implementation further requires resources both financial and human as well as a structure that reflects the organizational growth needs.

1.1.3 The Challenges of Implementation of Growth Strategy

Organizations that desire to succeed in implementation of growth strategies must prudently handle the crucial step of identifying the change blockers or challenges and reinforce the strategic and tactical goals that motivate growth. The real reasons that growth strategy implementation fail are varied. Downes (2001) argues that Implementation of growth strategies often fail because the market conditions they were intended to exploit change before the strategy takes hold.

The high degree of competition has caused products life cycles to be shorter, disruptive technologies have emerged with greater frequency and many markets are constantly experiencing rapid and discontinuous change. This therefore calls for vigilance in monitoring the environment in which a firm operates and making the necessary adjustments to ensure that the firm does not loose its competitive edge. The societies

Behavioral resistance to change and inappropriate systems and structures also poses serious challenge to growth strategy implementation. More often than not, growth demands major paradigm shifts in business and operational processes and procedures. This is usually met with a lot of resistance by the employees in all levels since it involves adaptation to new ways of doing things. On the other hand, the relationship between strategy and structure should be viewed in terms of utilizing structure for strategy implementation because structure is a means to an end that is supposed to provide facilities for implementing growth strategy. Therefore, strategy implementation and structure should be integrated to avoid confusion, misdirection and splintered effort within the organization.

1.1.4 Banking Sector in Kenya

The Banking industry in Kenya is governed by various laws and regulations including the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the CBK. The banking sector was liberalized in 1995 and exchange controls lifted. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests .The

KBA serves as a forum to address issues affecting members. The Central Bank of Kenya publishes information on Kenya's commercial banks and NBFIs, interest rates and other publication on a regular basis (Chanya, 2007).

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

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

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

1.1.5 Fina Bank Kenya Limited

Fina Bank Kenya Limited is a private limited liability company and a subsidiary of the Fina Bank Group. The history of the bank dates back to 15th January 1986 when it was originally incorporated as a Non Banking Financial Institution (NBFI) and by then was known as Finance International limited. This name was later changed to The Finance Institution of Africa and was originally owned by the Francis Da Gama Rose family which had diversified business interests in East Africa. On 15th August 1991, Mr. Dhanu Hansraj Chandaria an entrepreneur in the manufacturing sector together with a group of professional shareholders, took control of The Finance Institution of Africa and put it on a new growth path and changed the name to Fina. In 1995 when the banking sector was liberalized, all NFBIs were required to convert into fully-fledged commercial banks or close down. The same year the management of Fina applied for a banking license and was registered and licensed as a fully fledged commercial bank on 14th February 1996.

Over the past sixteen years the Fina Group has grown from the original two branches to a total of thirty five branches spread in Kenya, Rwanda and Uganda. Fina Bank Kenya limited has a total of fourteen branches located in major towns in Kenya. By 31^{st} December 2011, the bank had assets worth Kes. 14.6 Billion, capitalization of Kes 1.5 Billion and a workforce of two hundred and four employees. The bank has continued to focus on and provide financial services and solutions to medium size corporate and small and medium enterprises.

1.2 Research Problem

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

Despite the unfavorable macro-economic indicators the banking sector has continued to experience significant local and regional growth amidst increased competition. Fina Bank Kenya as at 31^{st} December 2009 had an asset base of Kes. 12.7 billion, as at 31^{st} December 2010 its asset base had grown to Kes. 14.1 billion and by 31^{st} December 2011 had an asset base of Kes 14.6 billion (US$ 236.7 million). As at 31^{st} December 2010 the bank was ranked 22^{nd} in the industry out of 43 commercial banks in terms of asset size. The bank currently has 15 branches from its initial 2 when it was licensed and it continues with its expansion plan to meet its target of being among the top industry players in Kenya.

Fina Bank is a relatively small bank which is not a household name as compared to other big players and therefore has an uphill task as far as expanding the market share is concerned. Minimal studies have been done specifically on Fina Bank Kenya putting in mind that it's a relatively new small bank in the market. None of the studies done in the past have covered Fina Bank strategies and some of the challenges that it is facing in implementing these strategies in the local market.

Mukule (2006) surveyed the retail marketing strategies adopted by commercial banks in Kenya. Onyango (2007) evaluated the challenges of strategy implementation among multinational manufacturing companies in Kenya and established recruitment policy and fear of change as the main challenges while Marete (2010) identified disconnect between strategy formulation and implementation as the main impediment in the implementation of Kenya Human Rights Commission's strategic plan. Koskei (2003) conducted a study on the challenges of strategy implementation in the public sector while Akelo (2010) focused on the same issue but studied the insurance sector.

Strategic management practice is sensitive to the context in which it's applied and one cannot therefore assume or conclude that strategic implementation challenges are similar across all industries unless backed by empirical evidence through research. In order to address the issues discussed in this section and to fulfil the research purpose the following questions guided this study:

i. What strategies is Fina Bank adopting to ensure growth?

ii. What challenges is it facing in implementation of these goals?

1.3 Research Objective

This research project had two objectives. These were;

i. To establish the growth strategies adopted by Fina Bank Kenya

ii. To establish challenges Fina Bank is experiencing in implementing the growth strategies

1.4 Value of the Study

The research project sought to add to the already existing literature on growth strategies adopted in the banking industry and challenges of implementing these strategies. It brought out clearly the growth strategies that the locally owned banks are adopting to penetrate and succeed in the competitive market. The project focused on the challenges that Fina Bank as a locally owned bank is facing in implementation of its growth strategies and practical solutions to these challenges.

The study will benefit policy makers to understand what is working in terms of ensuring consistent growth for small locally owned banks and the challenges such institutions are facing in implementing growth plans. Fina Bank employees will benefit by understanding the growth strategies that the organization has in place and the challenges it's encountering in realization and implementation of these plans. This will enable them share in the vision of moving the institution to the next level by actively participating in the implementation process.

To students the study will help them to understand the strategies that Fina Bank Kenya and commercial banks in general have adopted in order to grow. The study will also help them understand the challenges facing these institutions in implementation of the laid down growth plans.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

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

2.2 Concept of Strategy

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

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

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

Mintzberg (1987) argued that we could not afford to rely on a single definition of strategy. He proposed five definitions of strategy, i.e. strategy as a plan, a ploy, a pattern, a position and a perspective. As a plan, strategy specifies consciously intended course of action of a company over a specified period of time. As a ploy, strategy is seen as a pattern emerging in a stream of actions, strategy is seen as a consistency in behavior. As a position, strategy is a means of locating an organization in its environment and as a perspective strategy consists of a position and of an ingrained way of perceiving the world.

Strategy gives the company an identity or personality. It defines the business that the company wants to pursue and what it will be known for. Corporate strategy is the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, produces the principal policies and plans for achieving those goals and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of economic and non economic contribution it intends to make to its shareholders, employees, customers and community.

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

2.3 Growth Strategy

Pearce and Robinson, (1997). States that the essence of strategy formulation is coping with competition. The state of competition in an industry depends on five basic forces i.e. threat of new entrants, powerful suppliers, powerful buyers, substitute products and jockeying for position. Knowledge of these forces provides the ground work for a strategic agenda of action. They highlight the critical strengths and weaknesses of the company, clarify areas where strategic change may yield the greatest payoff and highlight the places where industry trends promise to hold the greatest significance as either opportunities or threats. Understanding these forces also proves to be of help in considering areas for diversification.

Achieving growth is a complex and difficult equation and only a small minority of company's succeeds in the endeavor. Companies that stagnate quickly get passed by in a rapidly changing and improving global economy. Managers employ growth strategies to improve both strategic and financial performance of a business. By strengthening and expanding the company's market position growth strategies improve both top line and bottom line results. Successful growth relies heavily on management execution; this is very challenging in many organizations because even the best strategies can fail without proper management execution. (Thompson, Strickland & Gamble 2008). Some of the growth strategies may include and not limited to the below discusses strategies

Concentrated growth is one of the strategies for growth that involves the direction of the firm's resources to the profitable growth of a single product, in a single market, with a single dominant technology. The main rationale for this approach, sometimes called a market penetration or concentration strategy, is that the firm thoroughly develops and exploits its expertise in a delimited competitive arena. It involves increasing the use of present products in present markets. Organizations employ concentrated growth by building on their competencies and achieving a competitive edge by concentrating in the product market segment it knows best. This strategy is aimed at growth resulting in increased productivity and even better coverage of its actual product-market segments (Pearce and Robinson, 1997).

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

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

versions to appeal to those segments. In an attempt to outcompete rivals, most companies find it worthwhile to venture into other markets if the pressure in the current market is too much and the competition is fierce.

Thompson et al, (2008) states that companies in all types of industries and in all parts of the world have also adopted formation of strategic alliances and partnerships to complement their own strategic initiatives and strengthen their competitiveness in domestic and international markets. Banks in Kenya have not been left out. For instance, Cooperative Bank and Barclays bank have partnered with Kenya Power and Lighting Company (KPLC) to enable payment of electricity bills in their banking halls while Equity Bank and I & M Banks have partnered with Safaricom in provision of money transfer services.

According to Charles (2001) alliances are cooperative agreements between companies that may also be competitors. He states that companies enter into strategic alliances with actual or potential competitors in order to achieve a number of strategic objectives. It may be a way of facilitating entry into a new market, to share fixed cost and also bring together complementary skills and assets that neither company could easily develop on its own. He states that alliances can help the company set technological standards for its industries if those standards benefit the company

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

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

2.4 Implementation of Growth Strategy

Deresky (2008) has observed that growth strategy implementation entails setting up overall policies, administrative responsibilities and schedules throughout the organization to enact the selected growth strategies and to make sure it works. In providing administrative support to facilitate implementation, managers with different combinations of experience, education, abilities and personality ought to be allowed to guide implementation teams of strategies that best suit their leadership styles.

According to Channon (1986) growth strategy implementation requires suitable reorganization i.e. subdivision of the business into a portfolio of opportunities and identifying alternative investment challenges should the original plan fail. He further notes that adapting the strategy to fit the needs of the strategy rather than making strategy to unsatisfactorily fit into the existing structure is key to successful implementation.

To help reinforce the implementation process, Channon (1986) states that the organisation's reward and sanction system should be designed in a manner likely to reinforce the process. This comes in handy in helping the management and the rest of the staff buy in to the strategy and work towards achieving expected results. He further notes that any organization in need of success in strategy implementation must design a suitable control system from the start. Without adequate monitoring of the progress towards strategic growth, its impossible to tell whether planned strategies are succeeding or not.

2.5 Challenges of the Implementation of Growth Strategy

A strategy no matter how strong and catchy if not implemented is of no use. In the words of Deresky (2008) until put into action, growth strategies remain abstract ideas verbal or written proposals that have got no impact whatsoever. If implementation is so integral then why do so many organizations fail, why is it such as an uphill task and what are the challenges. First, successful implementation requires the orchestration of many variables into a cohesive system that complements the desired strategy. Therefore if any of these variables is missing realization of the intended strategy becomes difficult.

Deresky (2008) states that the main challenge in implementation is a misfit between the desired strategy and the organizational structure, systems and processes. Since a system fit is supposed to facilitate the actual working of the strategy, any organization that is not ready to align the structure to meet the needs presented by the growth strategy makes implementation the worst nightmare. To affirm this, Marete, (2010) observed poor structure as one of the challenges facing the implementation of the strategic plan in Kenya Human Rights Commission.

Lack of management good will or inspired change leadership is another implementation challenge. Mwongoe (2011) notes that despite organizations understanding the significance of strategy implementation, this important step fall short because the management pay much attention to formulation but are not willing to provide the much needed leadership in implementation. There is always a sigh of relief once they finish laying down growth strategies and the zest always seems to fizzle out when faced with the reality of implementing the plans. Deresky, (2008) notes that more often than not the leadership fails to skillfully guide the employees and processes in the right direction.

Implementation of growth strategy requires resources. In their research, Marete (2010), Koske (2003) and Anyango (2007) all identified resource limitation as a key challenge in strategy implementation. The resources in question are time, human and financial. Since growth strategies demand system adjustments, opening of more service outlets and investment in technology, some organizations find themselves constrained resource wise in actualizing the laid out plans.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

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

3.2 Research Design

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

The choice of the bank was based on the fact that until recently, the bank has been largely considered as a bank that focuses on Indian businessmen only. The past one decade has seen the bank reach out to SMEs in all major towns by opening more than ten branches in Kenya. During the same period, the Fina Bank Group has extended its operations to Rwanda and Uganda and has expanded tremendously.

3.3 Data Collection

There are few possible methods for data collection. The most common methods for data collection in academic research are observations, questionnaires and interviews. Saunders et al. (2003) explains that this method comprises of systematic observation, recording, description, analysis and interpretation of people's behaviour. Questionnaires on the other hand require respondents to face the same set of questions in predetermined order while Interviews involves a discussion between two or more people concerning a certain issues of concern.

The nature of data collected was qualitative data. An interview guide was the tool which was used to collect the data. The interview guide consisted of two parts, part one dealing with the personal information of the informant and part two dealing with the growth strategies adopted by the bank and challenges they are facing in implementation.

A sample of seven informants was interviewed. These were departmental heads and senior managers from Service Delivery, Finance, Credit, Risk, Marketing, Recoveries and Compliance departments. This choice was informed by the fact that these are the key departments and the managers in charge are therefore the key strategic decision makers.

Interview guide was developed by surveying and comparing other studies done in the both banking and any other service industry in the past. These included Mugi (2011), Muriuki (2008), Akello (2010) and Maina (2011). Interview as a method of data collection was selected since it allowed the researcher to probe the managers further during the interactions.

Secondary data was collected through analysis of secondary sources of information for both the sector and the Bank. These sources included annual reports and bank magazines because they contained information on how the sector and the bank has developed through the years and how the strategies have been implemented to help the organization grow. The secondary sources also helped in enriching the information collected and also in the cross checking of facts.

3.4 Data Analysis

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

The case study involved a single organization and the study the data gathered was qualitative in nature. Interview guide had both close and open-ended questions. Closed questions were meant to guide the respondents not to divert from the topic of discussion while open ended questions were intended to encourage respondent to describe growth strategies, implementation and challenges of implementation in their own words without feeling limited.

CHAPTER FOUR

DATA FINDINGS AND INTERPRETITION OF RESULTS

4.1 Introduction

This chapter discusses the data findings, analysis and interpretation. The main objectives of the research were to investigate the growth strategies adopted by Fina Bank Kenya Limited and to establish the challenges that the bank is experiencing in implementing these strategies. To achieve the objectives of the study the research was conducted through an interview guide which was used to obtain the required information. The interview guide was divided into two sections; section one sought to find information on the interviewee while the second section sought to gather data on the growth strategies the bank has adopted and the challenges facing the implementation process.

4.2 Respondents

The study targeted seven interviewees mostly Senior Managers and Heads of Functions most of who have worked for the company for more than two years. The study targeted these employees since they are the ones involved in making strategic decisions and policy issues within the Company and therefore are the best people to give the required information for the study. The response rate was 100%, the interviewees consisted were drawn from service delivery, finance, credit, Risk Management, marketing, recoveries and compliance departments

4.3 Growth strategies

This section provides an analysis of the growth strategies that Fina Bank has adopted and how successful they have been. The study had an objective of identifying strategies that the Bank has adopted in pursuit of growth. These strategies were explored and elaborated as follows:

4.3.1 Product development

Product development involves substantial modification of existing products or the creation of new but related products to be marketed to the existing customers through the existing business channels. This is done through developing new products features to adapt to different areas or uses; modifying the form, value of the product or developing products of different qualities to suit various customers segments as well as developing new products for other uses. Fina Bank has used product development strategy through customer profiling that involves selection of target clientele by size and industry and analyzing marketing needs that has enabled them determine the opportunities available in their existing market. Since the bank target clientele is SMEs and medium size corporates, focus has been mainly on how to provide one stop shop for their clients.

The bank has therefore capitalized on the existing opportunities within their current market by ensuring that they create products that suit every section of their customers' value chain. For instance, the bank has developed products in international trade finance to ensure that their clients who are mostly SMEs and Corporates do not go to other banks when they need their import and export transactions to be handled. To cater for this, the bank has developed competitively priced product in form of letters of credit and foreign currency accounts. The bank is therefore able to efficiently and effectively meet the customer's cross boarder trade needs. This has proved very beneficial in retaining the SMEs and Corporates who would have otherwise gone to other banks for such facilities.

To ensure that the SMEs and Corporates customers market is completely exhausted, the Bank has developed products to cater for the needs of the employees of the businesses they finance. These products come in form of salary accounts and personal loans for the employees as well as fees payment bankers' cheques and junior accounts for the employees' children. In so doing the bank has enjoyed the benefit of marketing new products for a new segment of clientele through the already existing business relationships.

To grow the assets, the bank has also developed loan and credit facilities to suit the needs of their target clientele. For instance, the bank understands that most of their SME clients have got no conventional collaterals and have therefore developed unsecured loan products. To reduce the credit risk the bank has further sought partnerships that can guarantee such facilities hence cushioning the institution against losses. In addition the bank has introduced temporary overdrafts for its SME clients who have short term business needs that require immediate payment such as payment of suppliers, payment of licenses as well as payment of salary and wages.

4.3.2 Market development

Market development is a strategy involving marketing present products (sometimes with cosmetic changes) to new market segments/areas. This is usually done through increasing the channels of distribution to reach other market areas or segments, opening additional geographical markets locally, regionally or internationally and advertising in alternative media to reach other segments. The purpose of this strategy is to enable the bank expand their customer base and influence in the sector while growing the market share.

This strategy has enabled Fina Bank to leverage some of their traditional strengths by identifying new uses of existing products in new demographic and geographic areas. The strategy has enabled the Bank to increase the network both locally and in the region. In line with this strategy, the bank has segmented its market along the income levels. In so doing, the bank has been able to carve out a niche in the SME market which has proved very successful in promoting growth in terms of customer base, income and revenues.

Over the past four year, the bank has managed to open branches all over the country especially in major commercial towns that have abundant SME and Corporate clients. In 2008, the bank had five branches all located within Nairobi. The number has grown to twelve enabling it to have representation in most major towns. This strategy has further enabled the bank to venture into the East African region through opening of country offices and branches. The bank currently has a total of twenty three branches spread in Uganda and Rwanda. This is a big boost to the Bank's customers whose businesses cut across East Africa due to ease of transactions as well as accessibility to financial services.

4.3.3 Strategic Alliances and partnerships

This strategy involves strategic partnerships that exist for a defined period of time during which the partners contribute their skills and competencies to a mutually beneficial cooperative project. The strategy focuses on cooperative agreements and strategic alliances between companies that enable the partners achieve a number of strategic objectives with much ease and fewer resources. The strategy can be used to facilitate entry into a new market while keeping the capital outlay at the bare minimum or can help the company set new technological standards.

Fina Bank has partnered with several organizations to foster growth and expansion. In comparison to other banks, Fina Bank has a low branch network. The Bank concurs that this can have such a negative impact on the growth more so because its target clientele is made up of businessmen who have business interests even in small towns. Corporate and SME clients either run businesses that have branches throughout the country or travel on a regular basis within Kenya and East Africa. To ensure that the Bank has a competitive edge especially on accessibility, the Bank has partnered with Cooperative Bank of Kenya. This partnership allows the Fina Bank Customers deposit money in their accounts through the Bank's collection account domiciled at Cooperative Bank of Kenya. In so doing, the bank has enabled its clients to access their accounts through the one hundred and eleven branches of Cooperative Bank of Kenya.

The Bank agrees that this partnership has made it easier for their customers to access their account and has equally saved the bank the capital that would have been invested in opening more branches. The Bank has also partnered with Kenya Commercial Bank, CFC Stanbic Bank, NIC Bank and Diamond Trust Bank to enable its customers access their accounts through more than three hundred ATM owned by these banks. The Bank agrees that these two partnerships have enabled the customers deposit and withdraw money from more than five hundred points of service even when in remote areas where Fina Bank has no branches.

To smoothen the operations of its clients in international trade finance, the bank has partnered with Standard Chartered Bank through correspondent banking relationship. Correspondent relationship banking is generally defined as an arrangement that allows one credit institution to provide payments and other banking services across international borders. Fina Bank therefore operates nostro and vostro accounts with Standard Chartered Bank making it possible for its clients to access international trade finance facilities in more than seventy countries across the globe.

Fina Bank has further partnered with USAID in availing loans to SMEs. In this partnership USAID partially guarantees all qualifying SME loans made by the Bank. This guarantee agreement is under DCA and is targeted to help the Bank avail loans totaling to five million dollars to SME clients who many banks shy away from for since they do not have sufficient collaterals. The main intention of the guarantee is to strengthen the Banks ability to finance SMEs. This has greatly stimulated the growth of the Bank's loan portfolio, revenues and profits. The Bank agrees that this partnership has opened new frontiers in the financing of SMEs by enabling the Bank to cross sell other products to this segment of the clientele. The partnership has further given the bank a competitive edge in dealing with SMEs since some have profitable and thriving businesses yet they cannot access credit facilities due to collateral limitations.

4.3.4 Outsourcing

This is a strategy that allows an organization to contract another company to perform a particular function that is considered non core. It is a process of subcontracting a service to a third party for strategic reasons of ensuring resources are utilized in a more effective and efficient manner. Outsourcing is meant to reduce cost, increase efficiency and improve on the quality of products and services to ensure that the business remains competitive in the industry.

Fina Bank is currently outsourcing daily administration duties i.e. the Security, cash handling, cleaning, and photocopying and courier services as opposed to dedicating a workforce to perform these non core activities. This has enabled the bank to concentrate on its core activities in which it possess more skills and competencies while leaving other activities to specialists at a fraction of the cost hence getting more time to concentrate on core activities that generate more revenues for the Bank.

Outsourcing has played a vital role in cost saving and restructuring in Fina Bank. It has enabled the bank to changes the balance of the ratio of fixed costs to variable cost by offering a move from fixed cost to variable cost. This has made the cost more manageable and predictable. For instance outsourcing cash handling, photocopying and courier services has enabled the Bank to avoid initial capital outlay for purchase of machinery and the fixed cost of depreciation through transformation of initial cost into variable cost that is only incurred when the service is received.

All respondents agreed that the relationship the Bank has with Pesa Point has been the best outsourcing experience ever for the Bank. This is because the Bank operates only nine ATM units yet Pesa Point has given Fina Bank a platform that has enabled clients access more than five hundred ATMs and POS country wide at a fraction of cost. ATM machines require massive investments in hardware, software, provision of security services, cash handling expenses and risks, an expense that the Bank has cut down on. This has therefore enabled the Bank concentrate its resources to relationship banking since this is its key competency and this is what the staff members are highly skilled in.

4.3.5 Acquisition

Acquisition as a growth strategy allows an organization experience rapid growth within a short period of time especially when venturing into a new market or when an organization wants to eliminate competition. The growth is experienced through increased market share, access to better technology, ability to tap into already developed distribution channels and power to control undervalued assets. This strategy is considered to be among the best especially when a company wants to expand and enter a new market. Every new market present challenges and can easily compound the woes of a business especially if the market in question is in a foreign country. In such a situation, acquisition enables the acquiring organization adapt faster to the new business environment.

Fina Bank used this strategy to venture into the Rwandan Market. The Bank's strategy is to have a strong presence in the East African region. The Bank has successfully opened up branches in Uganda and Rwanda and plans to enter the Burundian, Tanzanian and Southern Sudan markets in the next four years. All the respondents agreed that the success that the Bank is enjoying in Rwanda can be majorly attributed to the acquisition strategy. In 2004, the Bank acquired BACAR a Rwandan microfinance bank that had a well established branch network. In so doing, the bank got an opportunity to market their existing and new products through the already established business channels.

The Bank agrees that this strategy has helped them gain a great competitive edge in Rwanda. When it was acquired, BACAR had only seven branches but the branch network has more than doubled to fifteen. In this case therefore, the strategy has enabled the bank increase their earnings and efficiency and has greatly speeded the Rwandan market expansion. In addition, the Bank was able to enjoy immediate economies of scale that many organizations strive to achieve within their first years of operation leading to competitively priced products. The Bank concurs that the greatest benefit of this acquisition has been the ability to access highly skilled and qualified manpower. Majority of the staff in Fina Bank Rwanda are Rwandese who had initially worked in BACAR. These staff members have a better understanding of the environment, cultural practices and business culture and can communicate with the customers with ease since they speak Kinyarwanda, French, Kiswahili and English.

4.3.6 Differentiation

Differentiation is a strategy that organizations use to gain competitive advantage through increasing the perceived value of their products in relation to the perceived value of the competitor's products. The strength or success of this strategy usually lies in an organization's ability to gain differential advantage through creation of products that customers perceive to be different from those of competitors.

All respondents agreed that the Bank has used this strategy in development of personalized relationship banking. Relationship banking can be generally defined as a process through which the bank develops close relationship with its borrowers over time. This kind of proximity between the bank and its borrowers facilitate close monitoring of the client and his business in an attempt to ensure most of the needs of all the stages of the borrower's value chain are met by the bank.

Fina Bank's personalized relationship banking has greatly fostered the growth of revenues and profits. The bank has ensured that every corporate and SME client has a relationship manager who oversees the transactions of the client and is reachable any time via email of phone. All respondents agreed that relationship banking has played a great role in the growth of the SME and corporate loan portfolio. The strategy has given the bank a great competitive advantage in the SME sector since the customers perceive the service to be better quality as compared to SME banking offered in other banks.

4.4 Challenges of Implementation of Growth Strategy

This section provides an analysis of the challenges that Fina Bank has and is experiencing in the strategy implementation process. The study had an objective of identifying challenges that the Bank was experiencing in strategy implementation. These challenges were explored and explained as follows:

4.4.1 Management

Strategy implementation requires great changes and shift in a way of doing business. When an organization is going through change, the management is expected to act as champions of change and lead by example. Change means challenge and the ability to meet challenge is the sign of good management. Lack of management good will or inspired change leadership is may therefore pose a great challenge to the growth strategy implementation process. Appointment of change leaders to oversee the process can therefore help improve the implementation process.

The respondents were in agreement that the implementation process was falling a step short because the management had paid much attention to formulation but were not wholly willing to provide the much needed leadership in implementation. The respondents argued that the management ought to have willingly reexamined all segments of the Bank's business in the light of changing market forces and identified how well they could break the existing rules and routines that were adding no value to the business.

There was however a consensus among the respondents that the competitive pressures of the industry and the demands for day to day operations were distracting the management from the leadership role in implementation and the zest was slowly fizzling out in the face of implementation reality. Most respondents agreed that the employees were feeling that the management was not setting an example that would inspire them to work towards the goal of revolutionalising the Banks way of business in line with the growth strategies in place. In addition, they agreed that the management had not successfully evaluated without prejudice the new technological development that could enhance management efficiency and hence improve the implementation process.

The change of CEOs and majority of the senior management in the past four years seemed to have derailed the implementation process. The respondents noted that in the past four years the organization has had three different CEOs and more than 50% of the senior managers had left the organization. These changes greatly demotivated the staff since each leader has a different way of doing things. Adapting to new management style by the employees shifted focus from the implementation process to settling down.

The Bank agreed that every CEO who joins an organization has a certain leadership philosophy that he needs to cascade to his staff members before he can comfortably work with them. The respondents also noted that the change of management resulted into readjustment of strategy to suit the new management styles and reflect their priorities. This has therefore forced the organization to frequently revise strategies and structures in line with the new management's priorities. The respondents agreed that this had posed a great challenge and hampered the speed of implementation since every time management changed the tempo and the speed of handling issues relating to strategy greatly reduced.

4.4.2 Shareholders

The interests of shareholders in any given company are usually represented by the Board of Directors. The board is usually charged with the responsibility of putting in place the mechanisms of ensuring that the interests of the management of a firm are aligned with those of the shareholders to avoid conflict. Strategies determine the course of an organization for several years and therefore it's a subject that engages the interest of all the members of the firm's leadership. The shareholder's representatives are therefore expected to play a pivotal role in the formulation and implementation of growth strategies.

The respondents were in agreement that the board of directors has not accorded the management maximum support in the implementation of new growth strategies. They were in agreement that the board has been very rigid in embracing new strategy. With a changing business environment, the management has had to change tact to survive in the highly competitive banking industry and the old ways of business could not assure the organization of much success in pursuing the growth agenda.

The Bank concurred that in some instances the shareholders have had very unrealistic expectations. For instance, expansion of branch network cannot promise short term gains in terms of return on investment yet the management is pressured to deliver high returns on the heavy capital investments made. Majority of the respondents agreed that the pressure of performance has forced some senior managers to quit since the board was loosing patience with the speed of growth. This has further complicated the strategy implementation process since every time a new manager is hired the pace of implementation slows down. In addition, regional expansion has demanded a lot of financial resources forcing the Bank to borrow or plough back the retained earnings. The result has been reduced returns on shareholders investment and subsequent pressure to deliver more sterling performance.

The respondents agreed that the implementation process would have been slightly easier had the shareholders through the board of directors offered the staff and the management more unwavering support. The Bank concurred that the board has generally locked itself in unshakable embrace with tradition and has a feeling that the yesteryears strategies are still an option of consideration. In addition, the board lacks the disposition to emphasize opportunities rather than problems in many management situations.

4.4.3 Employees

The human resource is a key component of growth strategy implementation. The implementation of strategies require the attention, dedication, devotion and the efforts of employees since the process has the potential to impact a wide range of duties and responsibilities of the employees. It is therefore paramount to ensure that the employees have a thorough understanding of their role during and after the process.

Successful implementation of strategy requires firm leadership and skillful guidance of employees in the desired direction. To inspire employees, the reward and sanction policy must be tied to the employees' performance and ability to work towards strategy implementation goals. The respondents agreed that unfortunately, the reward and sanction policy had not been well reviewed to allow the employees reap the benefits of embracing the changes that the organization was making. There was a consensus that the Bank ought to have rewarded the employees who adapted to change in a better way than those who resented change.

The respondents agreed that some of the implementation decisions were arrived at in haste and hence the employees were not adequately trained. This brewed a lot of confusion and resentment from employees since some strategies like relationship banking required a total paradigm shift in the way of doing business. The implementation process also required a lot of structural alignments and redefinition of the employees' duties and responsibilities. These realignments made staff to feel insecure leading to high staff turnover. This slowed down the implementation process since the new employees had to be trained for smooth operations of the Bank.

In addition, the respondents agreed that lack of clear communication channels between the employees and the management has greatly hampered the implementation process. This is so because the employees take a longer period of time to air their grievances and frustrations in course of strategy implementation process. Consequently, the frustrations of the employees have not been sufficiently addressed leading to resentment and resistance. There is therefore need to ensure that the concerns of the staff are sufficiently addressed so that the employees can cooperate with the management in advancing the growth agenda.

4.4.4 Regulations

The banking sector in Kenya is regulated by the Central Bank of Kenya. All decisions made by CBK always impact the operations of the sector players in one way or another. Though the Bank may not have control over the decision that CBK makes, it must be well prepared to respond to the changes in a better manner than the competitors.

The Bank agrees that the base lending rate issue has greatly affected the Bank's business and has slowed down the growth process. The respondents were all in agreement that growth has stagnated since November 2011 when CBK raised the benchmark lending rate by 11 points to 18%. This is mainly because the loans which are the main contributor for income in form of interest income and loan processing fees have drastically reduced. The loan book has therefore continued to shrink and the default rate has increased therefore increasing the cost of collection.

The benchmark lending rates has hurt the Bank more by forcing it to pay higher interest rates to depositors' funds. The high amounts of deposits that the Bank is currently holding has further compounded its woes since loan uptake has slowed down leaving the Bank with huge sums of money for which they are paying interest without reaping returns from interest income. Though there are indications that the rates will eventually go down, the Bank admits that this has greatly reduced the pace and rate of growth.

The Bank further reckons that regional expansion presents unique challenges in form of legal and regulatory framework which exists in different countries of East Africa. This also goes hand in hand with country specific trade barriers like local component requirements, ownership structure and product standards. Operating in different jurisdictions also exposes the company to foreign exchange risk. The Bank admits that ensuring the operations are synchronized to comply with regulatory issues in all the three countries has been an uphill task.

4.4.5 Financial Resources

Implementation of the growth strategies requires massive resources in terms of human, financial and time resources. Resource availability and balanced allocation is a critical factor in successful implementation of growth strategies. Growth is a difficulty task that requires total devotion of the employees, management and the board of directors and the need to avail sufficient resources cannot be overemphasized.

In most circumstances, the implementation of market and product development requires a lot of capital. The bank agreed that product development strategy made the bank incur high research and development and marketing costs since the modified products appears as new products to the already existing market hence there is need to provide enough information about the product. High production cost due to developing products of different qualities to suit various customers segments or developing new products for other uses. The bank has therefore been forced to dedicated resources for enhancement of brand awareness and distribution network.

The Bank further agrees that establishment of branches all over Kenya and East Africa requires sufficient investment. Over the past three years the Bank has had to contend with high capital expenditure, increased operational cost and growing staff costs. For instance, the number of staff has more than doubled over the past five years with operating expenses doubling from 0.9 Billion Shillings reported in 2009 to 1.8 Billion Shillings reported in 2011.

The resource limitation has therefore forced the bank to slow down the growth strategy implementation process. The respondents however felt that it was still possible to continue with the implementation process if the bank's priorities are set out well. This could be done by probably outsourcing all other non core functions at a fraction of the current cost while redirecting the saved resources towards pursuing other forms of growth strategies.

4.4.6 Organizational Culture

Functional organizations are expected to have an organizational culture that helps the management and employees deal with trade offs that need to be made during the implementation of strategies. Organizations therefore need to be dynamic enough to change with the business environment and embrace new ways of doing business and yet sensitive enough to help their employees embrace change without feeling insecure.

The Bank concurs that the organizational culture is thick and it resides in all levels. At the management level the leadership has not successfully rallied other employees to embrace change and subsequently organizational response to change has not been improved for better. The Bank has not also worked hard enough to change the shareholders and employees assumption, perception and values in an attempt to prepare them to embrace change.

The bank agreed that the organizational culture was posing challenges to the implementation process. Majority of the staff especially the older generation had a culture of resisting any development that would rattle their job security or way of doing things. This has slowed down the implementation process since the management has been forced to train employees in order to enable them buy into the strategy. There was general consensus that the organization needed transformation that would enable it takes advantage of change and manage it creatively.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of key data findings, conclusions drawn from the findings highlighted and recommendation made there to. The conclusions and recommendations drawn are aimed at achieving the research objectives which were to establish the growth strategies adopted by Fina Bank Kenya and establish challenges the Bank is experiencing in implementing these growth strategies

5.2 Summary of Findings

According to the findings of this study, it was clear that the bank has adopted market development, product development, acquisition, partnership, outsourcing and differentiation as growth strategies. It was further noted that even though all the respondents agreed that these strategies were working, each respondent seemed to be more aware of the strategy that his department was championing. This was reflected in the rating of the success of these strategies.

The finance department rated outsourcing and acquisition as the best performing strategies because the two had a big impact in cost control and consequent improved earnings since this is usually the departments' biggest concern. On the other hand, the marketers' rated product and market development as the most successful strategies since these two related directly to the core functions of the department while service delivery rated partnerships as the best since this made accessibility of the banks services easier. Credit, Risk and Recoveries departments concluded that relationship banking and USAID partnership were more successful since they enhanced the size and the quality of the loan book leading to increased interest income and declining provisions. The respondents however agreed that the strategies were complementing each other and had succeeded in positioning Fina Bank as a regional SME and Corporate bank services provider which has a special emphasis on relationship banking as a selling point.

It was noted that there were several challenges that have been encountered in pursuing these growth strategies. These challenges included high costs of opening new branches in the new markets and the costs of advertising the products in both electronic and print media, unfavorable organizational culture that has hampered change, a not very enthusiastic board in supporting the growth agenda, changing face of management as well as ill prepared work force.

It was further noted that the respondents explained the severity challenges in relation to the impact each was having on the department. For instance, Compliance department cited the board challenge as the severest while finance department concluded the resource constraints ware the most responsible for a slowed implementation process. The service delivery department noted the staff unwillingness to change as the biggest challenge in realizing the growth strategy goals while compliance department noted that the regulatory framework in the three countries where the bank is in operation was proving to be a great nightmare in strategy implementation.

5.3 Conclusion

The essence of this research project has been set out in the research objectives which were to establish the growth strategies adopted by Fina Bank Kenya and establish challenges the Bank is experiencing in implementing these growth strategies. The study concludes that just like Fina Bank other firms may use a combination of growth strategies that best suits their operating environment. Every industry has its threats and opportunities and the strategies adopted should blend in well with each other to minimize the impacts of threats while increasing the benefits that cann be accrued when all available opportunities are utilized.

Every growth strategy adopted and implemented has its own benefits and challenges. Apart from the different legal frameworks in different countries, there are also varied social cultural settings which must be surmounted for the firm to effectively develop and adopt a strategy that works. In order to sustain an effect market penetration companies must decide whether they want to diversify by going into related or unrelated businesses or they want to focus on certain segments that can enhance their competitive edge. They must then decide whether they want to expand by developing the new business or by buying an ongoing business.

Finally, management must decide on how to deal with challenges that affect the implementation process. Every organization that wants to achieve its growth objectives must ensure that the employees are well prepared since the success of any strategy depends on how well the organizational resources will be blend together the human component to make business growth a reality.

5.4 Limitations of the Study

There are several caveats and limitation to this study. Given that the study was on one Second tier Bank, the assumption is made that the actions of this one organization mirrors that of other second tier banks. There is a limitation on the extent that the actions of Fina Bank may not be the same as those of all other second tier banks because every organization has its own unique challenges.

In the banking industry every player makes decision based on the impact it will have on its customers and therefore the bottom-line. The researcher recognizes that the study of only one bank may lead to biased conclusions since the strategist of each bank have a defined way of strategizing and focusing on the future.

5.5 Suggestion for Further Studies

The study wishes to recommend further research of the critical success factors for the implementation of growth strategies. This is because the research came across various other challenges and factors affecting growth of Fina Bank in the course of study.

Further studies should be done on the formulation, implementation and evaluation of growth strategies in other companies and industries as this will enrich the existing strategic management body of knowledge as well as provide insights to policy makers. Future studies could also focus on the importance of strategic planning in public organizations and the benefits that can be accrued from constant evaluation of the strategic implementation process.

5.6 Implication of the study on Policy, Theory and Practice

The researcher recommends that Fina Bank address the issues of staff training on strategy implementation as this will help the employees actively participate in the process. This may help accelerate the process while making the staff buy in and embrace the process. Constant assurances to the employees on issues of strategy will also help them understand that the strategies are meant to strengthen the bank's stability and success.

Regulators and policymakers would gain a deeper understanding of the activities of second tier banks in the country from this study. The banking sector in Kenya has thrived over the past two decades and an understanding of the impact of the activities and strategies adopted by the Bank to promote growth will enable the policymakers to create policies that will promote growth of other banks in the same tier.

The study represents an attempt to provide an analysis and extensive study of implementation of growth strategies and the challenges that face the implementation process. It therefore contributes to the Strategic Management Body of Knowledge. The study has shown that even though formulation is important, the success or failure of an organisation depends entirely on the organisational commitment to the implementation process.

This study also has an impact on the practice of second tier banks. It enables the stakeholders to have a better understanding of the value that can be obtained from adoption of strategies that promote organisational growth. Other banks could also greatly benefit from the knowledge and reflections shared by Fina Bank on how to implement strategies.

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APPENDICES

Appendix I: Interview Guide

The study seeks to establish the growth strategies adopted by Fina Bank Kenya Limited, How they have been implemented and the Challenges faced in implementation.

1. Department...

2. How long have you worked for the Bank...

3. Below are some of the strategies used by organizations to achieve growth. How has the Bank used these strategies to achieve growth

    a. Product development

    How was it used?...

    Why was it used?...

How successful was this strategy?

b. Market development

How was it used? ....

Why was it used? ....

How successful was this strategy?..

c. Alliances/partnerships

How was it used? ....

Why was it used? ....

How successful was this strategy? ....

d. Mergers and acquisitions

How was it used? ....

Why was it used? ....

How successful was this strategy? ....

e. Outsourcing

How was it used? ....

Why was it used? ....

How successful was this strategy? ....

f. Other strategies

How was it used? ....

Why ware they used? ....

How successful were these strategies?...

4. Rank these strategies according to how they have contributed to the growth of the Bank……………………………………………………………………………….…...

5. What challenges did the Bank face when implementing these strategies? Explain

   a. Management…………………………………………………………………...

   b. Shareholders…………………………………………………………………...

   c. Employees……………………………………………………………………..

d. Regulation……………………………………………………………………..

e. Financial resources……………………………………………………………

f. Organizational culture…………………………………………………………..

g. Other challenges………………………………………………………………

Appendix 2: Letter of introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone 020-2059162
Telegrams "Varsity", Nairobi
Telex 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 1st August, 2012

TO WHOM IT MAY CONCERN

The bearer of this letter JANE WANJIRU KIMANI

Registration No. D61/63222/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
01 AUG 2012
MBA OFFICE
P.O. Box 30197 - 00100, NAIROBI

IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

Appendix 3: Letter of Authority

FINA
BANK

Your Partner in Growth and Development

Fina Bank Ltd
P.O. Box 20613, 00200 Nairobi, Kenya
Tel: 254-20-3284000, 254 -703084 000
Fax 254-20-229696, 254-20-342024
SWIFT: FBAKKENA
Email: banking@finabank.com
Website: www.finabank.com

October 3, 2012

TO WHOM IT MAY CONCERN

RE: JANE WANJIRU KIMANI REG. NO. D61/63222/2010

This is to confirm that the above mentioned who is a MBA student of Nairobi University as per the introduction letter dated August 01, 2012 collected data from Fina Bank Ltd for her research project report.

Yours Faithfully

Charles Mwangi

Appendix 4: A List of Licensed Kenyan Banks

1	ABC Bank (Kenya)
2	Bank of Africa
3	Bank of Baroda
4	Bank of India
5	Barclays Bank
6	Brighton Kalekye Bank
7	CFC Stanbic Bank
8	Chase Bank (Kenya)
9	Citibank
10	Commercial Bank of Africa
11	Consolidated Bank of Kenya
12	Cooperative Bank of Kenya
13	Credit Bank
14	Development Bank of Kenya
15	Diamond Trust Bank
16	Dubai Bank Kenya
17	Ecobank
18	Equatorial Commercial Bank
19	Equity Bank
20	Family Bank
21	Fidelity Commercial Bank Limited
22	Fina Bank
23	First Community Bank
24	Giro Commercial Bank

25	Guardian Bank
26	Gulf African Bank
27	Habib Bank
28	Habib Bank AG Zurich
29	I&M Bank
30	Imperial Bank Kenya
31	Jamii Bora Bank
32	Kenya Commercial Bank
33	K-Rep Bank
34	Middle East Bank Kenya
35	National Bank of Kenya
36	NIC Bank
37	Oriental Commercial Bank
38	Paramount Universal Bank
39	Prime Bank (Kenya)
40	Standard Chartered Kenya
41	Trans National Bank Kenya
42	United Bank for Africa
43	Victoria Commercial Bank

Source: http://www.centralbank.go.ke/financialsystem/banks/Register.aspx