Foreign Market Entry Strategies: The Case of Guaranty Trust Bank to Penetrate the Gambian Market

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Abstract

The phenomenon of foreign market entry strategies is intensifying at an astonishing path and other studies related to the same lexicon. The business transition from one country to a new market has offered great impact in the manner of development of these foreign firms. This has created many windows of business opportunities for firms to increase their revenue and expand their business as well. However, the result of this finding shows that 56% of the respondents were operating as at the level of middle management then followed by the higher up management-level employees at 33% while lower management scored 11% of the total respondents. This financial institution had put into consideration myriad of strategies for entering the Gambian terrain

Keywords: FDI (Foreign direct investment), firms, banks, Market

1.0. INTRODUCTION:

1.1. Gambian Banking Industry:

The banking sector in The Gambia commenced over a 100 years ago. Recently there are thirteen banks operating in the Gambia and twelve of this bank are conventional commercial banks while the remaining one is an Islamic bank. The following are the listed banks currently existing in the Gambian terrain:

- Standard Chartered Bank (Gambia) Ltd
- Trust Bank Ltd
- Bank PHB
- Arab Gambia Islamic Bank
- First International Bank
- Guaranty Trust Bank (Gambia) Ltd
- International Commercial Bank (Gambia) Ltd
- Access Bank (Gambia) Ltd
- Ecobank (Gambia) Ltd
- Banque Sahelo-Saherienne Pour l'investissement et commerce (BSIC)
- Prime Bank (Gambia) Ltd
- Skye Bank (Gambia) Ltd
- Zenith Bank

According to Chetty and Hunt (2004) is that firms engagement into the international or foreign market is made possible with the gradual development process. The rational motive for firms to expand their business operation to another country is to increase their revenue and also to serve their traveling customers. However, in the process of entering into another country, firms are faced with three crucial questions such as: How to enter a market, which marketplace to enter and the time frame that is when to enter. This paper indeed focuses on evaluating the relationship of the above questions with one another, more specifically in the case of Guaranty Trust Bank penetration to the Gambian market. The Gambian banking system has been seen to be very competitive with establishment and penetration of myriad of banks into the Gambia and even regardless of the small size of the country there exist thirteen players including a domestic bank. The aim and motive for Privatizing the banking sector are to strengthen the financial system by minimizing financial turmoil and to boost economic efficacy and performance. The recent tough
competition between banks in the Gambia has positively affected their operations by compelling them to keep the innovation ball rolling by offering innovative and diverse services. Regardless of fierce competition between banks in the Gambia, they are maintaining their successful position in the market by each and every bank concentrating on the segment it serves best.

2 LITERATURE REVIEW:

2.1 Introduction

This section of this paper will evaluate crucial information gathered by gurus and researchers whose research was a focus on this lexicon of study. The main concentration of this literature review is on entry mode, choice of entry mode, the theory of bargaining power, strategies for foreign market entry, strategic resources, the core competence of firms, firms image and reputation, typology of products and services. The paper will investigate the empirical evidence as per of the review.

2.2 Market Entry

Firms have their motive for entering a foreign market and it is stated that firms chose to enter foreign market for the following real sons: The realization that a foreign market indeed offer huge profit chance than the local market; firms want to attract large customer base to be able to attract economic of scales for profit maximization; minimization of risk of depending on silo market; provision of reaction to local competitors so as to serve external customers traveling and require standardization service provision (Kotler and Keller 2006). Penetration of foreign market is at times very risky but if appropriate strategies have been adopted for successful penetration to a new market will result in potential profitability for the firm. According to Kotler & Keller, (2006) is that most of the time firms are compelled to enter the foreign market because the strategic thinking is that it’s the means for the survival of their business. Strategic decision to enter the foreign market (Ellis, 2000). The relevant question to be addressed by managers is that: What country to enter for business expansion to dominate the internal competition. Ellis (2000) stated that the strategic decision to enter foreign market should be properly planned for smooth penetration. In another discussion by researchers is that foreign market penetration is most of the time ad hoc, meaning no research is conducted to guide the mode of entry of this firms.

2.3 Foreign Market Entry Strategies

Foreign market entry can be defined as an institutional arrangement that makes it possible the entry of a company’s products and service, management that have the technical know-how and the core competence as key resources in foreign market business operations (Root 1998). Business may either chose to export products to a foreign market or directly assign the responsibility to a manufacturing firm which is possible by transferring brand name, technical know-how and other key resources. There exist three modes of entering a foreign market, and they are as follows: Export; joint venture and wholly owned subsidiary. According to Albaum (1998), is that Export as an entry mode to a foreign market by appointing agents or distributors, who will be responsible for getting smooth accessibility to a host market on behalf of the foreign firm and this is done with an exclusive market knowledge without critical environmental analysis of the country, culture, economic perspectives, political orientation, legal and local people behavioral pattern. The fastest means of approaching foreign market is via the exportation of products and services to the target marketplace. According to Bradley (2005) is that many firms exploit exportation of products and services as an entry strategy. Another entry strategy adopted by foreign firms is a joint venture, and this is referred to as an entity that is established between duo or more parties for business operations for economic reasons. The individuals consented to formulate an entity by subscribing equity, and the revenue and expenses are jointly shared among the parties. According to Hill (2007), joint venture offers numerous positive merits to the foreign firms by trying to approach a new market. The joint venture, therefore, may denote a corporation, limited liability Company, partnership and law structures, considering issues such as tax and liability. The crucial merit of the joint venture is that it helps firms contract risk of being able to adopt to the national
country. Another crucial market entry strategy is wholly owned subsidiary, and this connotes that there is hundred percent total ownership of the firms in a foreign market. According to Hill(2007), the formulation of this method of foreign entry could be done in two manners: The first one is by adopting what is referred to as greenfield venture, and this means the establishment of new operational branch in a foreign market and secondly by acquiring an existing firm in a foreign market and seize that opportunity to engage on aggressive promotions of its products and services. This mode of entry strategy therefore present series of merits and they are the competitive edges of the firms which are acquired through core technological competence and secondly this mode of entry provide strict control over operations in the foreign market. The dark side of the wholly owned subsidiary is that according to Hill(2007), this method of market penetration is very expensive and the foreign firms might sometimes face with high risk with too much interference by the host government.

2.3.1. Quantitative Entry Mode Choice Models

This model can be referred to as game theory as there are two-fold of the game theoretical models. One of it is what Grossman and Hart (1986) referred to as transaction cost theory. The other model is referred to as internalization theory by Buckley and Casson(1998). According to Grossman and Hart (1986), there is a two-player mode which he went further to discuss both vertical and lateral integration as a main statuesque of ownership identification based on productivity that assumed that assets ownership are not necessarily a contractual right. Another theoretical model formulated by Buckley and Casson (1998), to study the choice between export, licensing, joint venture, and wholly owned foreign venture (WOFV) in a two-firm economy.

2.3.2 Licensing Strategy

Licensing is also another crucial entry strategy for foreign firms and this simply means that contractual agreement where the parent company herein referred to as the licensor, provide certain values and assets, such as technical innovation, trade contents, manufacturing process, trademark, patent, and brand reputation, to an international company, the licensee, in exchange for royalty fees. Licensing offer advantage to the licensor to be able to penetrate a new market that has no or few risks. Moreover, the licensee will enjoy a reputable brand with the household brand name. Kotler and Keller, (2006) stated that this strategy presents some demerits, that the control can be lost and competitors availability might be possible if the license is no longer existing. Marginal profits are at risk if the licensee accomplishes its objective by been very successful. According to Doole and Lowe (2004), the manner exploited for licensing entails management contracts, contract manufacturing, and franchising.

2.3.3 Joint Venture Strategy

Walter et al. (1994) defined this strategy as the process partnership between foreign company or investor with local firms and when this is done ownership and control successfully is shared among the parties. There may be a limitation of resources such as funds and technical know-how. The demerits of a joint venture are the difficulty it posits for a foreign firm to implement certain policies as it may be against the rules and regulation of the host country (Kotler and Keller, 2006).

2.3.4 Foreign Direct Investment Strategy

Foreign direct investment is a crucial strategy and for better understanding, its defined as an investment entailing long-term business relationship and with the reflection of a long-lasting interest and control by a home country economy in an enterprise of a foreign economy. This takes place by owning partially or wholly the facilities of the company. According to Verwaal and Donkers, (2002), the differences in language, cultural taste, logistics, and laws require being scanned in order to operate a successful business into a new market if FDI is actually chosen as a market entry strategy. Foreign firms must try to familiarise themselves with knowledge about the host country, culture, national politics, law and the behavior of the people. Lu and
Beamish, (2006) stated that information about the potential market has to be exploited when formulating sales branch and making an investment in series of areas like the local bureau and new employees. According to Bradley (2005) is that there is limited control over global operations as the company is available on the market especially the issue of protecting assets is very difficult. Lu and Beamish (2006) clearly opined that the potential for feedback learning is higher for FDI than for export.

2.4 Market Entry Mode

There exist myriad of routes in entering foreign markets. Each of this route offers a different level of risks, commitment, control and potential profit and its vital for foreign firms to comprehend these differences in the new market. The entry mode decision is a vital strategic decision which can be tedious at times as it leads to severe waste of time and resources (Agarwal and Ramaswami 1992). According to Brown et al. (2003), it’s imperative for foreign firms to abreast themselves with the weaknesses and strengths of the local environment for strategic objective and strategic decisions as an entry mode. There are four main market entry modes, and they include export, Licensing: joint venture, and direct investment (Kotler and Keller 2006).

2.5 Exporting Strategy

Exportation of products and services is an appropriate strategy to penetrate new marketplace (Kotler and Keller 2006). Ellis (2000) suggested that there are four manners that this exchange may be initiated including seller initiated; buyer initiated; broker initiated and this is made possible because of the trade fair. In an appropriate and approachable market such as the Gambia, direct exporting of products or services may be a strategic option for Guaranty trust bank (Keller and Kotler 2006). Most of the time indirect exportation of products and services is adopted to enter new markets where an agreement with an agent or distributors for marketing and selling of products in a target market. Careful consideration is a factor when selecting and choosing an agent given the responsibility for the distribution of products and services.

2.6 Strategic alliance Strategy:

According to Kotabe et al. (2005), a strategic alliance is a partnership between firms with the main objective of accomplishing mutual common business goals while contracting influence and gaining benefits from different areas of business operations. This strategy emerges in all forms, and it simply connotes licensing agreement between firms. Strategic alliance simply means that a contract that temporary exist between firms for a mutual relationship which is aimed at minimization of uncertainty around the achievement of the strategic objectives and this is made by coordinating firms operational activities.

2.7 Choice of Entry Mode:

The concept of foreign market entry mode emerged from the theory of multinational business enterprises. A myriad of marketing gurus has focused their studies on the perspective of global marketing in this 21st century. The choice of market entry has an effect on firms international business operations (Wind and Perlmutter 1977). According to Root (1994), is that market entry mode choice is a very vital strategic decision for foreign firms. It involves accompanying the degree of resource that is complicated to shift from one degree to the other, mainly from a top degree of commitment level to an inferior stage (Zhao and Decker, 2004). According to Nakos and Brouthers (2002), the choice of a market entry mode is a vital and imperative strategic decision for firms aiming to do business in the foreign land. Some researchers believed that firms core capabilities are a driving force of market entry choices into a new market. Because of this, researchers agreed that the resource-based is the greatest theory of strategy for market entry.

3. Research Objective

The objectives of this paper are as follows:
To investigate the foreign market entry strategies adopted by Guaranty Trust Bank to penetrate the Gambian market.

To ascertain the level of qualification of different level of management of the Guaranty trust bank in the Gambia

To also find out the length of services of managers

4.0 Research Methodology

4.1. Introduction:

This part of the paper highlighted the methodology that was explored in collecting, interpreting data and most importantly, the manner in which the data was analyzed.

4.2. Data Collection Method

This paper explored both secondary and primary data. Primary data was gathered by an interview with open-ended questioning techniques as this technique will offer the opportunity of a collection of qualitative data. The respondents were head of the key department at Guaranty Trust Bank, and they were nine heads in number and they as follows: Administration manager, customer service manager, Finance controller; Human resource manager; Head of Information Technology; Business Development Manager, Purchasing Manager, Marketing Manager, Operation Manager. The secondary data that was collected for the purpose of this paper was from banks website, banks brochure, and report published by the financial institution. The interview was structured into two categories; the first one was to gather detail information about the targeted respondent and secondly to collect information about market entry strategies of Guaranty trust bank Ltd.

4.3. Data Analysis:

The data that was gathered for this paper was analyzed exploring content analysis by segmenting it according to respondents responses. The data collected was presented on frequency distribution table for clear and tangible interpretation.

5.0. Research Findings

5.1. Introduction:

This section of the paper showcase the finding collected from the key personnel of the bank and critical analysis and interpretation carried out. All relevant data gathered was through the interview and critically analyzing the content. All findings were gear towards on the lexicon of market entry strategies adopted by Guaranty Trust bank to penetrate the Gambian market. The outcome of the finding was rated as indicated below:

5.1. Response rate:

<table>
<thead>
<tr>
<th>Target population</th>
<th>Number of respondents</th>
<th>Rate of response</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>9</td>
<td>100%</td>
</tr>
</tbody>
</table>

5.2 Demographic Information:

5.2.1: The study sought to target higher up management level of the bank and friction management that partook in the interview process of this study. The management level that responded to this interviewed were as follows: 56% of the respondent were middle-level management, whilst 33% of the respondents were the higher up management and lower layer management were only 11%. The higher up management and
middle layers managers were targeted of their imperative portfolio and influence on the strategic decision on foreign market entry strategies which actually is the main focus of this paper.

Table 5.2: Level of Management who responded to this study:

<table>
<thead>
<tr>
<th>Management level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Managers</td>
<td>3</td>
<td>33%</td>
</tr>
<tr>
<td>Middle-level managers</td>
<td>5</td>
<td>56%</td>
</tr>
<tr>
<td>Lower level managers</td>
<td>1</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>100%</td>
</tr>
</tbody>
</table>

5.2.2: This paper intended to find out the length of services of the employees of the financial institution, Guaranty Trust Bank. The findings had revealed that 2 employees had been hired through the process of acquiring the original bank, 3 employees had worked with the former bank, whilst 4 employees were hired after successful entering the Gambia terrain. The qualitative analysis of the finding present that three (3) employees of the bank are serving the institution for less than two (2) annual year whilst six (6) respondents had served this financial institution for more than four (4) years.

5.2.3 Educational degree of Management:

The paper had sought to ascertain the educational degrees of the management of this financial institution and the findings revealed the following: 11% of the management of the bank did acquire a Ph.D. degree, 56% got Masters degree whilst 33% of the management who responded got bachelor’s degrees.
Table 5.3: Educational Degree of the Respondents:

<table>
<thead>
<tr>
<th>Educational degree</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary School</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Secondary School</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Bachelors Degree</td>
<td>3</td>
<td>33%</td>
</tr>
<tr>
<td>Masters Degree</td>
<td>5</td>
<td>56%</td>
</tr>
<tr>
<td>PhD</td>
<td>1</td>
<td>11%</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>100%</td>
</tr>
</tbody>
</table>

5.3 Motive for selecting the Gambian market by Guaranty trust bank:

The rationale for the bank to penetrate the Gambia market was myriad and numerous but core reasons according to the management that responded to this field interview is that the bank wants to expand its revenue by diversifying its investment after confronted by internal competition, regardless of the size of the country. As the Gambia is considered as a tourist hub and one of the most peaceful countries on the continent of Africa which also recently discovered oil resources and because this promising wealth the bank decided to penetrate to the market. Another important motive highlighted by the management of the bank is that the Federation of West African Chambers of Commerce and Industry has incentives financial institution to expand their business operation in other to facilitate the process Africa integration so that customers and clientele can be served by this institution wheresoever they are residing.

5.4 Market Entry Strategies:

The strategies outlined from the finding clearly revealed that the bank adopted acquisition strategy which means that it penetrated into the Gambia market by acquiring a financial institution and struggling very hard to gain its well-positioned market share. This financial institution was able to scan both negative and positive aspect of penetrating this market directly but due to the risk confronting the strategy of direct investment, the bank decided not to adopt this strategy because of the local clientele may not accept it especially in the face of fierce competition. Moreover, among the key factors that was given due consideration was the political situation of the country. Thus the bank decided to acquire a financial institution and rebrand it with their
own name, and as because it was a new entrant into the market the bank gained its market share by aggressively embarking on promotion in the form of advertisement. It's important to note that Guaranty trust bank penetrated the Gambia market in the period 2002 and up to date it was able spread its branches into 17 locations within the Gambia territory, and this doesn't exempt the main tourism development area Senegambia. The finding also revealed that the bank is jointly owned by leading Nigerian bank referred to as Guaranty Trust Bank Plc with affluent Gambian businessmen and institutions which is convincing to say that the bank adopted joint venture as a market entry strategy. Despite the tense competition, the bank was able to secure number two most profitable bank in the Gambia in the period 2004 and was crowned as the third largest bank in regard to the size of the balance sheet.

6. Summary, Conclusion, and Recommendation:

6.1: In summary, the findings of this paper revealed that 56% of those who responded were middle-level management, 33% of the respondents were higher up management while only 11% of the respondents were bottom level management. The reason for choosing higher up and middle layer management of the strategic role of these portfolios in their responsibilities in devising related strategic decisions in market entry strategies. Additional analysis indicated that 3 out of the total respondents had served as an employee of the old financial institutions, 4 out of the total respondents had been enrolled into the bank after successfully acquiring the bank and 2 respondents were part of the acquiring process of the bank.

5.3 Recommendations:

The finding and conclusion of this paper revealed that this paper vividly recommends that foreign corporation should environmentally scan business environment that they are aiming to enter and identify the best strategy suitable on how to penetrate and enter the targeted market. The strategy of market entry crucially determines the success of a foreign corporation on a domestic market. The paper also identifies that Guaranty trust bank critical evaluated both negative and positive perspective of series of business entry strategies pre considering the right one to adopt.

5.4 Limitation of this study:

Limitations of this study were lack of adequate financial and time resources. The other limitation entailed that fact the respondents weren't comfortable in sharing relevant information, and their busy schedule doesn't permit me to conduct a lengthy interview with them.

5.5 Suggestions:

Further research is required on foreign market entry strategies of other financial institutions in the Gambia as there numerous strategies for market entry strategies.

References:


