

**EFFECTS OF STRATEGIC MANAGEMENT PRACTICES ON
GROWTH OF NIC BANK LIMITED**

BY

LEVI NYAMU MULEI

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DECLARATION

I Levi Nyamu Mulei, hereby declare that this research project entitled 'Effects of strategic management practices on growth of NIC Bank Limited' is my original work and has not been presented for a degree in any other university.

Signature Date

LEVI NYAMU MULEI

D61/60595/2013

MBA PROGRAMME

Supervisor's Approval

This MBA research project prepared by Levi Nyamu Mulei has been submitted for examination with my approval as university supervisor.

Signature Date

DR. JAMES GATHUNGU, PHD, CPS (K)

SENIOR LECTURER

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

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DEDICATION

This work is dedicated to my lovely wife Maureen Mwikali and my parents Festus and Jemimmah Mulei for their unwavering support and inspiration.

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ABSTRACT

The current competitiveness of the banks has its origin in the strategies they adopt and apply, whereby strategic management plays a key role. Banking performance has been conditioned on the content of banking management in general explains the interest of researchers and practitioners to this area. In this light effects of strategic management practices on growth of NIC Bank Limited was the main objective of the study and therefore answer the questions; What is the effects of each strategic management practice on growth of NIC Bank Limited? A case study research design was adopted, taking a case of NIC bank. Both primary and secondary data were collected. Interview guide was used to collect data from the field. The targeted informants were five and included: the Chief Executive Officer (CEO)/representative and heads of: ICT and operations, Retail Banking, Corporate banking and Human Resource departments. The institutions websites internet, newspapers and other publications aided secondary information. Analysis was done on the collected data using content analysis. The study found that the bank has brought together various strategies to adequately adapt to the new changes that are experienced by the bank. Some of the major strategies that were observed are good corporate governance, acquisition, automation of business processes, branch network expansion and acquisition of new technologies that allow further penetration in various markets. It was therefore recommended that for the bank to gain more competitive advantage it should put in place strategies for their customers to benefit from agency banking all over the country as well as institute Islamic/Sharia compliant policies to tap the growing Islamic believers market and further boost the generation of non-interest income

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Most banks currently are operating in an environment with dynamic development in the financial systems and financial markets which is forcing them to conduct their businesses differently so as to evade risks (Ofunya, 2013). With the escalating competition in the banking industries, most of the banks have now been forced to adopt new strategies in order to survive. Their performance relies solely on the particular strategies that the management has executed in order to run their companies. For the banking institutions to remain relevant and minimize the banking risks then they must management policies that enable them to be in the forefront and compete effectively with others in the global market.

According to Bakar *et al*, (2011) Strategic management is a phenomenon that involves decision making, proper execution of the idea so as to achieve the particular target or objective of the organization. Additionally, Pearce & Robinson, (2005) posits that strategy encompasses decisions made and measures undertaken so as to realize implementation and formulation plans which are structured to attain the firms' goals. As a result of the dynamic changes in technology and changing customer needs as well items demanded by the markets the companies have adopted strategic management. Proper application of strategies influences greatly influence the performance of organization Hubbard, (2000). It is therefore fundamental for institution to put in place good strategies so that they can survive.

Environmental dependency theory gave birth to Strategic management practices Ansoff and Sullivan (1993) argued that strategic management practices are composed of systems theory, industrial organizations economics theory and the contingency theory. The open system theory posits that external and internal environmental factors contribute hugely to the factors that influence strategic implementation since organizations exist in an open set up (Pearce and Robinson, 2011). Institutional theory emphasizes on the effects of social environment of an organization. Institutions can be said to be viewed as being influenced by activities that might include politics, social and economic.

The strategic management is viewed differently from firm to firm and raised questions about its determination by various scholars. Formulating a strategy for the business is a fundamental management function. According to Thompson and Strickland (2003) if organizations are committed and have the capacity to implement the strategy effectively then the organization have a high chance of achieving better performance compared to the rest of the players in the industry.

Various strategic decisions have been made in the banking industry in Kenya in the past two decades. Specifically, the NIC Bank Limited which was incorporated in 1971 and is currently quoted on the Nairobi Stock Exchange with approximately 22,000 shareholders has witnessed vigorous reforms to cut a niche in the Kenyan banking industry. With a vision of establishing a long term, profitable customer relationships through the establishment of a complete range of banking and financial services, strategic management practices should be embedded in its mission.

1.1.1 Concept of Strategy

According to Chandler (1962) strategy is the establishment of the basic long-term goals and the objectives of an enterprise, and the adoption of courses of action and the distribution of resources necessary for carrying out these goals. Andrews (1971) further stated that for a strategy to work external environment and internal capabilities should be married to bring about desirable goals and objectives (Ansoff, 1990). A well-formulated strategy helps to organize and allocate resources to areas that leads to overall performance (Mintzberg & Quinn, 1996).

Strategy entails identifying an organization's vision, mission and objectives, developing policies and plans to execute the vision and allocating resources those policies and plans. Strategy is largely about an organization's use of its internal resources to create a value added proposition. Strategic management is the process of building capabilities that allow an organization to create value for customers, shareholders and society while operating in competitive environment. Strategy involves the action plan of an organization for building competitive advantage and increasing its triple bottom line over the long term. The action plan aims to achieve the economic, social and environmental performance objectives; in essence it helps bridge the gap between the company's long-term vision and the short term decisions.

1.1.2 Strategic Management Practices

Strategic management practices involve a firm identifying the best way of managing its capabilities and resources in order to realize its mandate. Strategic management practices therefore include strategic planning; strategy implementation and strategy evaluation and

control, which have in the past studies been seen to impact the competitive positioning of the firm in the industry. Strategic management has been conceptualized in the 7-s framework which is known to provide managers with a clear outline to focus on six modules to ensure effective formulation, execution and implementation of strategy.

Strategic Management defines the purpose of the organisation and the plans and actions to achieve that purpose. It is that set of managerial decisions and actions that determine the long term performance of a business enterprise. It involves formulating and implementing strategies that will help in aligning the organization and its environment to achieve organisational goals. Strategic management provides overall direction to the enterprise. Firms that pursue sustainable strategic management base the formulation, implementation, and evaluation of their strategies on an analysis of the ecological issues they face, the values they hold that support sustainability, and the ecological interests of their stakeholders.

1.1.3 The NIC Bank Limited

Mid 2014, NIC Bank Limited received a long term credit rating of A+ from Global Credit Ratings. The rating was based on the solid track record of growth exhibited by the bank over the years, as well as the experienced executive and senior management team. Later in the year, the Bank concluded its successful capital raising program, which saw it issue a bond and a rights Issue. The successful conclusion of the Capital raising effort is viewed as a vote of confidence on the Bank's long term growth strategy.

In 2015, the bank marked the first year in the bank's current strategy cycle, which called for a strategic shift in its business towards the small and medium sized enterprises (SMEs) and retail banking space. This shift was aimed at rebalancing the business into a full scale universal bank to ensure future sustainable growth and returns. The growth in 2015 was largely supported by the successful capital raising of over Kshs12 billion which NIC Bank Limited undertook in 2014. In February 2015, the bank launched a new leasing unit NIC Leasing LLP, the first for a Kenyan bank. This unit compliments the bank's market leading asset finance business by offering an alternative way to fund capital expenditure.

1.2 Research Problem

Strategic management is a very important concept for commercial banks, characterized by intense competition for customers in the industry, banks must always be wary of the trends and opportunities in their external environment as shifts always occur. The banking industry has shown a significant expansion during the first half of 2012 (Central Bank of Kenya, 2012). New products and services that come along with globalization and technology have resulted to rapid changes in banking industry to update themselves with the competing business environment.

The exponential growth in banking industry has escalated competition among the key players and new entrants. This has led to adoption of new technologies as well as focusing on the diverse customer needs rather than traditional banking products such as over the counter cash deposit and withdrawal. Many strategies have thus been embraced;

however, it is not certain that proper strategic management practices have been instituted to guarantee improvement in performance (Ofunya, 2013).

For success in strategic management practices, an organization should appreciate the impact on strategy of external environment, internal resources and competences, and the expectations as well as expectations of the stakeholders (Johnson & Scholes, 2002). Most organizations have found it essential to engage in strategic management practices in order to efficiently achieve their objectives and enhance growth of the organizations.

Numerous studies have been carried globally and locally on strategic management practices in other industries other than the banking industry in Kenya (Kangoro, 1998; Ligare, 2010; Ngatia, 2011; Mbondo, 2011; Manguru, 2011; Riungu, 2008). A few examples of studies on commercial banks in Kenya include Njoroge (2007), Mungai (2007), Wamalwa (2008), Wambugu (2008), Otieno (2010), and Ondieki (2011).

Despite the numerous studies on strategic management practices none has considered assessing the influence of strategic management practices on growth of banking industry in Kenya. This study will thus attempt to assess the current strategic management practices and their effect on the growth of Kenyan banking industry. The research questions to be addressed by the study will therefore be: What is the influence of strategy formulation, strategy implementation, strategy evaluation and strategy control on growth of NIC Bank Limited?

1.3 Research Objectives

The objective of the study will be to assess the effects of each strategic management practice on growth of NIC Bank Limited. The researcher will therefore aim at:

- i) To establish the influence of strategy formulation on growth of NIC Bank Limited.
- ii) To determine the influence of strategy implementation on growth of NIC Bank Limited.
- iii) To evaluate the influence of strategy evaluation on growth of NIC Bank Limited.
- iv) To assess the influence of strategy control on growth of NIC Bank Limited.

1.4 Value of the Study

The results of the study will make a contribution to the existing body of knowledge particularly on the effects of strategic management practices on growth of banking industry. At this time when the banking industry is encompassed by numerous challenges, few studies have concentrated on this sector.

The results of the study will help the NIC Bank Limited to track its progress in strategic management as well as bring to light the existing loop holes in its practices of strategic management. This will aid the bank in responding to both threats and opportunities brought about by development in the Banking Industry in Kenya by coming up with appropriate strategies that would enable it to remain relevant and profitable in the market. The study would further help NIC Bank Limited in evaluating the effectiveness of current strategic management practices and their contribution towards bank performance.

The study is beneficial to the country's economy since a vibrant banking industry is a stimulant to the economy through facilitating capital creation. Efficient strategic management will ensure enhanced performance of banks in Kenya as well as the stability of the industry. The study will further help to explain the recent case of poor performance of the banking industry in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on strategic management. First, theories related to the concept of strategic management practices are reviewed. This is then followed by a review of empirical studies on strategic management practices in banking industry.

2.2 Theoretical Foundation

Strategic management include: strategic planning, strategy implementation and strategy evaluation and control, which have in the past studies been seen to influence the competitive positioning of the firm in the industry, thus define the performance. In attempt to establish a theoretical premise and gain further understanding of strategic management practices, this study is rooted in three theories, namely: the contingency theory, profit maximizing and competition theory and the Resource Based View (RBV) Theory.

2.2.1 Contingency Theory

This theory was advanced by (Robbins & Coulter, 2002). It embraces that the most effective governance structural design is where the structure matches the contingencies. However, there are numerous major challenges to it. Some of these being theoretical, while others are empirical. The organizational designs can be likened to the strategies embraced and managed by an organization. Just like strategic management, governance structures have been described as the matrix of rules, regulations, protocols and

conventions that narrate to the transaction Porter and (Cramer, 2006). The idea of governance structure is comparatively modest, but actually defining a complex structure. Studies have attempted to draw out several relevant dimensions. The firstly, the degree of integration of purchasing and providing roles, and ownership of the associated infrastructure. In this construction, it is useful to differentiate between ownership and control (Barney, 2001). The contingency theory offers no specific way or approach to manage organizations. It is at the discretion of the organizations to develop a managerial strategy based on their conditions or specific situations in which they operate. This theory therefore informs the study in the sense that governance issues are necessary in achieving competitive advantage.

2.2.2 The Profit Maximizing and Competition based theory

This theory emphasizes that profit maximization and competitive advantage is the core goal of any organization. The industrial organization is the basis of this theory as it views the external market positioning as the main factor for attaining and sustaining competitive advantage. The industrial organization offers strategic management a systematic model for assessing competition within an industry, Raduan et al (2007) and Akinyes, (2007).

The above two theories lay a rich foundation in comprehending strategic management concept. However, for this particular study, the resource-based theory offers deeper insights and thus overarches other theories.

This 'five-force' framework provides a systematic way of thinking about how competitive forces work at the industry level and how these forces determine the profitability of different industries and industry segments. The competitive forces framework also

contains a number of underlying assumptions about the sources of competition and the nature of the strategy process. Available strategies are described in Porter (1980). Competitive strategies are often aimed at altering the firm's position in the industry vis-à-vis competitors and suppliers. Industry structure plays a central role in determining and limiting strategic action. Some industries or subsectors of industries become more 'attractive' because they have structural impediments to competitive forces for example entry barriers that allow firms better opportunities for creating sustainable competitive advantages. Rents are created largely at the industry or subsector level rather than at the firm level. While there is some recognition given to firm specific assets, differences among firms relate primarily to scale.

2.2.3 Resource Based View Theory

The Resource Based View (RBV) theory is used to examine the relationship between the internal organizational capabilities and the tangible and intangible assets that firms use to conceive and implement their strategies (Barney et al., 2001). The RBV theory has three important concepts – resources, capability, and competencies (Yang et al., 2009). The RBV of the firms suggests that combining resources, including finance, information, assets and humans to enhance performance (Dangayach & Deshmukh, 2001).

Helfat and Peteraf (2003) associates the theory to human resource interactions by recounting and analyzing the interrelationship among the assets and most importantly the human resources which have a ripple effect on the general performance of the organization. This will guarantee that the goals and objectives of the organization are achieved. RBV theory lays a good foundation for strategic management practices,

therefore working on the firms' resources and managing them to achieve a competitive edge.

The resource based approach sees firms with superior systems and structures being profitable not because they engage in strategic investments that may deter entry and raise prices above long run costs, but because they have markedly lower costs, or offer markedly higher quality or product performance. This approach focuses on the rents accruing to the owners of scarce firm-specific resources rather than the economic profits from product market positioning. Competitive advantage lies upstream of product markets and rests on the firm's idiosyncratic and difficult to imitate resources.

2.3 Empirical Review

Strategic management is an important component of any organization's management that creates a lot of interest to academic scholars and practitioners. This is attributable to the universal application of this aspect to the management discipline.

2.3.1 Strategic Management Practices

There are several strategic management practices that companies adopt to achieve competitive advantage. Robbins and Coulter (2002) have stated that strategic management is the process that encompasses strategic planning, implementation and evaluation. According to Wheelen and Hunger (2008), Strategic management practice include four fundamental aspects: planning, execution, analyzing and implementation, these four factors forms the basis of strategic management argument.

Thompson and Strickland (2003) drew five duties in the strategic management process: evolving a strategic vision and mission; stating objectives, strategy formulation; strategy

execution and analyzing the status of its performance; in order to deter any short comings measures should be structured to deter them. Johnson and Scholes (2004) established a model for strategic management consisting of strategic analysis, planning, choice and strategy implementation.

2.3.2 Strategy formulation

At this stage firms are normally focused on achieving their set goals which have a long term influence on their organizational performance. Major focus of the institution will be influence by externalities, and the weakness of the organization as compared to its strengths (Wheelen & Hunger, 2008). According to Johnson and Scholes (1999) strategy formulation entails marching strategies and the environment the firms operates .Forces in the external environment are so dynamic and collaborative that the impact of any single element stirs a ripple effect.

Marching external environment, internal environment, resources in terms of financial and human capital will result to good strategic process which will in turn bring about long term strategies that are geared towards the goals and objectives of the organization in question as compared to other competing firms in similar business environment. Therefore in formulating the strategies, management should exercise caution not to exclude any of the strategic planning practices (Ronald, 2003).

2.3.3 Strategy Implementation

The management of the firm depends largely on strategy implementation. This will give a road map on how an organization should be run to achieve its mission, vision and strategic goals. Application of strategies have crossed the normal norm of their

applicability in profit making organization to even those that are not geared towards profit. Christian religious institutions find strategic management applicability vital to their operations which is a deviation from their normal way of solving their operational shortcomings (Hanlon and Scott, 1993). According to Baum et al, (2001) organizations that have been applying strategies for example the porters and Ansoffs strategies have been performing exemplary as compared to those that have not been well applying the strategies.

Mintzberg and Quins (2004), elaborates that 90% of well-formulated strategies fail at implementation stage and only 10% of formulated strategies are successfully implemented. The successful implementation of strategy is fully dependent on involvement of all the participants in an organization. Communicating progress of implementing the strategy to the stakeholders will assist them in determining whether corrective action is required (Pearce and Robinson, 2008).

Strategy implementation has become a key focus for firms and continues to attract attention as it plays a key role in success of firms today worldwide. Johnsons and Scholes (2002) proclaimed that in knowledge based economies people were truly the most valuable asset which human resources policies need to reflect. Johnson and Scholes (2004) notes that strategy implementation is the translation of strategy into actions. It entails institutionalization and operationalization of strategies and managing the ensuing change.

2.3.4 Strategy Evaluation

Strategy evaluation is the process of comparing the actual performance against the desired performance. Strategic application in organizations have been viewed on different spectrum, some researchers views the influence of strategy on performance as statistically significant (Zajac et al., 2000). Strategy evaluation includes reviewing the existing strategies in order to determine if they are offering the solution at hand (Hill & Jones, 2001).

Ondera (2013) argued that, the hospital formulates implements and evaluates the work plan by involving all staff working at the hospital and that the management allocated funds based on the work plan to facilitate the process of strategy implementation.

Lastly the evaluation process addresses the aspect of amending the developed strategies so as to achieve competitive advantage. This is feed back to the original plan and reiterated until most of the organization is in concert with the plans.

2.3.5 Strategy Control

This is a process of checking and monitoring strategies as it undergoes series of implementation procedures to ensures that the firm meet the required threshold, so as to determine if the companies has met or variation has to made to meet the desired results. (Pearce and Robinson, 2008). The review of monthly, quarterly and annual reports is one of the means management exercise their evaluation and control of a strategy. The reviews require a look at for instance the profit margins, sales; earnings per share and return on investment to assist management determine the effectiveness of the strategy being implemented.

Pappas et al (2007) examined the joint influence of control strategies and market turbulence on strategic performance in sales-driven organizations. Results from the survey of sales-driven organizations indicated that self, professional, activity, and output control systems had varying effects on participation in strategic activity.

2.4 Strategic Management Practices and Organizational Performance

This constitute a vast array of activities that are necessary to clearly understand how environment influence the firm's activities as well as understanding how risks can be mitigated to reduce risks that might be experienced in the process. Studies across the globe show that strategic practices are beneficial for organizational growth and attainment of competitive age.

Firms operate in an environment that permits competitors to carry out a substituted products and services and therefore firms have no option other than adopting strategies that would help them remain competitive in a changing business environment. For example some firms adopt porters competitive strategies that is; differentiation, focus and cost leadership while others have adopted Miles and Snow argument that reactors do not influence firms performance as opposed to his other strategies like defenders, prospectors and analysers. However it is important to note that each firm is entitled to choose among the many strategies as formulated by several authors depending on its operational environment and competition in its market niche to remain relevant to the customers and enhance its overall performance if not operate on a brake even scale.

In choosing a strategy that suits the competitive environment of a firm it is important first

for a firm to critically analyse its firm internal processes including personnel, physical resources and the financial muscles in order for it to compete without straining. The competence of the firm is anchored on how it can apply its resources and internal processes to boost its best chosen strategy for it to succeed since weakness in its core competences will result to failure of the best strategy which might be applied by the competitors to gain more superiority on the market.

The success of any firm in a competitive business environment depends on its core resources in place. Porter's strategies can be applied by firms depending on the resources the firms possess and the nature of the firms' goods and services it offers to the market. For instance differentiation strategy is applied by firms with clear knowledge of the market to offer unique products with the customers' needs and expectation in their mind. Focus strategy can be applied by firms that needs to focus on a particular market niche due to the resources they have in place. Cost differentiation is applied by organization that want to produce at the lower cost depending on its internal structures and processes and the ability to outsource at a cheaper rate in order to remain competitive than competitors and also meet the customers' expectations. Firms that do not carefully select a strategy that fits its market and the resources it possesses automatically will fail as compare to those that are careful on the choice of the strategy that do not strain its resources and internal processes.

2.5 Summary of Empirical Studies and Knowledge Gaps

From the review of the literature strategic management can be generalized as a set of decisions and actions that result in the formulation and implementation of plans designed

to achieve a company's objectives (Pearce & Robinson, 2005). Strategic management practices therefore include strategic planning; strategy implementation and strategy evaluation and control, which have in the past studies been seen to influence the competitive positioning of the firm in the industry, thus determine the performance. From the review most studies have focused and explored strategic management holistically without drawing emphasis to specific aspects of strategic management. There have been over emphasis on achieving of competitive advantage without taking into consideration the sustainability of the various strategies adopted by a firm. Strategic management practices should therefore be categorized then conceptualized holistically since one practice influences success of another.

Table 2.1: Summary of Empirical Studies and Knowledge Gaps

Study	Focus of the study	Methodology	Major Findings	Knowledge gaps	Focus of the study
Bakar, Yuso & irgiyanti, (2011)	Implementation of Strategic Management Practices in the Malaysian Construction Industry.	Cross-sectional survey Correlation and Anova	Firms that do not carefully select a strategy that fits its market and the resources it possess automatically will fail as compare to those that are careful on the choice of the strategy that do not strain its resources and internal processes.	There is need to conduct strategic management practices on organizational performance in the Kenyan context	This study analyzes the influence of strategic management practices on banks in Kenyan perspective

Muogbo (2013)	The Impact of Strategic Management on Organizational Growth and Development:	Chisquare tests and Anova	The successful implementation of strategy is fully dependent on involvement of all the participants in an organization.	Study concentrates on strategic management in general	.This seeks to involve strategic management practices and links it to performance
Njagi and Kombo (2014)	Effect of Strategy Implementation on Performance of Commercial Banks in Kenya.	Empirical review	Marching external environment, internal environment, resources in terms of financial and human capital will result to good strategic process	The study involved only the implementation aspect	This study will include all the phases of strategy with external forces affecting these strategies
Ofunya (2013)	Strategic management practices on Performance of Post banks in Kenya,	Case study research design, Analysis of Variance	organizations that have been applying strategies for example the porters and Ansoffs strategies have been performing exemplary as compared to those that have not been well applying the strategies.	The study looks at strategies and performance	This study will do a comparison in literature to show how other firms does in relation to adoption of strategic management practices

Pappas, Flaherty & Hunt (2007)	The Joint Influence of Control Strategies and Market Turbulence on Strategic Performance in Sales-Driven Organizations.	Questionnaires were used in collecting data. The chi-square statistical technique was used in analysing data.	Strategic management practice includes four fundamental aspects: planning, execution, analyzing and implementation, these four factors form the basis of strategic management argument.	The study concentrates only on control strategies	This study explores all the strategic management practices in the Kenyan context
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Researcher 2016

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives a direction on what is entailed in the formulation of the methodology. It is divided into research design, data collection and data analysis methods.

3.2 Research Design

The study involves a case study design in addressing the research questions, this is due to the design's suitability in situations where questions such as how, why and what are investigated on a certain phenomenon to give facts of the situation as it is without being subjective to the researcher's perception (Saunders et al., 2007). This design is suitable since only NIC bank limited will be used for the study; in an attempt to unveil the effects of strategic management practices on its growth.

3.3 Data Collection

The study was carried out at the NIC Bank Limited Headquarters office located at Masaba Road Upper hill in Nairobi. The Headquarter has offices for the top management staff in all departments and thus was the right place to obtain management and performance information conveniently. Primary data was collected by use of interview guide, which contained open-ended questions. Babbie (2012) noted that the open-ended types of questions allow respondents to give varied answers as well as offer more information leading to further insights. The targeted informants were five and included: the representative of the Chief Executive Officer (CEO)/representative and heads of: ICT

and operations, Retail Banking, Corporate banking and Human Resource departments. All the interviewees were based at the Head Quarters and the interviews were conducted face to face by the researcher. The researcher also relied on the company's website, internet, newspapers and other published material as sources of secondary data.

3.4 Data Analysis

After collection of the responses, the interview guide was edited for completeness and consistency before processing. Thereafter, the data was coded to facilitate categorization. Qualitative analysis was applied, and data was categorized on the basis of the strategic management practices variables. According to Strauss and Corbin (1997) qualitative analysis is a research for general statements about relationships and underlying themes. Qualitative analysis was done using the content analysis technique. This was first done through coming up with the overall underlying themes from the respondents. The results were then presented in a continuous prose based on the objectives of the study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The purpose of this study was to establish whether strategic management practices had an effect on the growth of NIC Bank Limited. This chapter presents the data analysis, results of the study and discussion for the study. The data collected was analyzed and interpreted in tandem with the study objectives; the effects of strategic management practices on the growth of the bank. Content analysis was mainly used in analyzing the in-depth qualitative data that was obtained.

4.2 The Interviewees

Interviews were conducted with five key management staff at NIC Bank headquarters. The interviewees were: A representative of the CEO, head of ICT and operations, head of Retail Banking, head of Corporate Banking and head of Human Resource. The interviewees were preferred due to their involvement in strategic management practices. The strategic practices considered in the interviews involved: strategy formulation, strategy implementation, strategy evaluation and strategy control. The study revealed that majority of the interviewees has held senior management positions at NIC Bank Ltd for over five years. Thus their contributions towards the study objectives were deemed sufficient due to the advanced experience.

4.3 Results of the study

The results of the study were addressed according to the specific objectives of the study as below.

4.3.1 The Influence of Strategy Formulation on Growth of NIC Bank Limited

This section evaluated the influence of strategy formulation practice on the growth of NIC Limited. It thus focused on the strategies that have been formulated by the bank and their contribution towards the growth of the bank.

Among the recently formulated successful strategies suggested by the respondents were: strategic partnership with other firms in provision of leasing facilities, diversification through acquisition of subsidiaries, automation of loan application process, the use of social network platforms, the rights issue to raise more capital, customized credit cards, online and mobile banking applications through NOW Mobile Application, borderless banking, active involvement in corporate social responsibility and expansion strategy.

The strategic partnerships have been used by the bank to enlarge its loan market. The most recent partnerships include the asset financing partnership between the NIC bank and Simba Corporation which is an integrated business group with controlling interests in diversified fields such as motor sales and service, hospitality, investment and financial services. The main aim for this partnership was to boost asset financing for consumers intending to purchase the Mitsubishi line of trucks. According to NIC Executive Director Alan Dodd the initiative will not only improve the loan sales and level of service but also provide real value to mutual clients. Other strategic partnerships include: The partnership

with Nissan Kenya in launching the new Nissan 3rd generation Xtrail and with Deacons Kenya to offer leasing for gym equipment.

The bank has diversified its products and services through establishment of several subsidiaries. According to the respondents automating of loan application process through an online platform enabling employees of corporate organizations to apply loans online, has seen growth in loans advancement as well as gaining competitive advantage against other banking institutions. According to the head of banking the newly launched technique has been positively received by bank customers due to the current responsiveness of digital products.

In the last ten years the bank has embraced branch network expansion strategy which has seen the increase in the bank branches from a mere two branches in Nairobi in 2005 to over twenty branches spread across the country, the recent ones being Machakos branch, Lunga Lungu, Industrial Area and Sifa Towers in Kilimani area. The bank has also crossed the borders; in 2010, it entered the Tanzanian market through acquisition of Tanzania's Savings & Finance Commercial Bank Limited which has branches in Dar es Salaam, Mwanza and Arusha. In 2012 the bank opened a branch in Uganda through foreign direct investment (FDI). The main aim of expansion is to enhance the bank's competitive position, diversify its business and enhance services to its customers.

The bank marked the first year in the Group's current strategy cycle in 2015, which calls for a strategic shift in bank's business towards the SME and Retail Banking space. The shift is aimed at rebalancing the business into a full scale universal Bank to ensure future sustainable growth and returns. The bank is expanding on its a strategic partnership in

order to expand on its operations to become an agent for M-Pesa, MoneyGram and Western Union. According to the respondents the growth in 2015 was largely supported by the successful capital raising of over Shs12 billion which NIC Bank undertook in 2014.

Other strategies adopted by the bank in growing its market and cutting a niche in the Kenyan banking sector include the use of social platforms such as twitter, Facebook and WhatsApp to address customers concerns as well as market the bank's products. The corporate social responsibility activities have further been used by the bank as a way of giving back to the society and ensuring good corporate citizenship. They include: the innovation challenge, the Red-cross co-branded credit card and NIC Cup Cricket Tournament.

4.3.2 Strategy Formulation Process and its Influence on Bank Growth

According to the respondents Market focus approach, product differentiation and cost leadership are used in coming up with operational strategies. Research and development was further constantly used in environmental scanning to establish threats, opportunities, strengths and weaknesses to be considered in formulation of strategies.

The market focus approach is adopted through establishing the market needs and trends in developing competitive strategies. To achieve this the bank collects the market information by the use of both the marketing team and the research and development team. Thorough and continuous research and observations are carried out to establish any market gaps as well as the existing competitive trends in the market.

Product differentiation approach is also incorporated in strategy formulation which helps in product positioning as well as cutting a competitive edge. The bank evaluates the existing products in the market and undertakes the initiative to come up with different and better products. This is clearly evidenced by strategies such as automation of loan application process and customization of credit cards for different organizations.

Cost leadership approach is further considered for each strategy as a way of reducing the cost in order to maintain a competitive price (interest rates). This has been achieved through automation of most banking activities, for instance the loan application process and incorporation of social media in marketing of the bank products.

4.3.3 Influence of Strategy Implementation on Growth of NIC Bank Limited

The researcher considered the strategy implementation process adopted by the bank and its influence on the growth of the bank. The guidelines of strategy implementation adopted by the bank were therefore considered as well as the involvement of employees in the process.

According to the respondents the bank carried out the implementation of strategies through a series of clearly laid down procedures. The initial step was to develop the capacity of the organization to create the potential of carrying out the strategy successfully. This was incorporated with making sure that there are policies that encouraged the implementation of the strategy. Resources were further disbursed to support the strategy essential activities, which included both labour and capital. A reward structure was then linked to accomplishment of results as a way of encouraging

employees to embrace the strategy. Strategic leadership was also crucial in management of the implementation process with each step been assigned someone responsible of its execution.

Employees formed a crucial element in implementation of a strategy. Trainings were conducted first with regard to a new strategy being adopted. The employees' responses and reactions were also obtained and put into consideration. The strategy was further customized to fit in the employees' suggestions. The aim was to make sure that the strategy was owned by the employees since they are the implementers. Responsibilities of employees in strategy implementation were later assigned with monitory duties being assigned to the leaders at every level.

The respondents explained that strategy implementation procedures were crucial to success of any strategy. Time was thus taken in ensuring a careful execution of a strategy. The respondents also emphasized that most of the strategies that have been adopted by the bank have escalated the bank's competitive advantage. This was attributed to careful implementation of well formulated strategies as well as involvement of employees.

Creating of strategic partnerships have seen growth in the bank's loan market and further creating prospects for future growth. This has been attributed to strict adherence to the stipulated terms and conditions as well as advanced customer care. A good example is the establishment of NIC Leasing LLP which was the first for a Kenyan bank, to implement this strategy the bank incorporated both the marketing and asset financing team in order to manage the schemes as well as gain more business offers. Strategic partnerships which have been signed with MPESA, MoneyGram and Western Union have led to reaching more retail and SME customers through its branch network.

4.3.4 Influence of Strategy Evaluation on Growth of NIC Bank Limited

In this section the researcher aimed at establish the strategy evaluation procedures adopted by the bank and their significance to the overall growth of the Bank. According to the respondents it was established that the bank carried out strategy evaluation on continuous basis. This was done in order to improve the currently implemented strategies and ensure adherence to one of the core values which is innovativeness.

Strategy Evaluation was done via a survey to both consumers and employees of the bank by the customer care and ICT & Operations Department. As part of feedback mechanism the bank uses customer care emails and suggestion boxes for customer feedback on tis service delivery.

The feedback is then analyzed keenly to deduce the actual performance of each strategy, and hence comparing with the desired performance. Cost benefit analysis is then done which is followed by establishing the weaknesses in a competitive strategy. Suggestions for improvement where necessary are then given to the top management.

4.3.5 Influence of Strategy Control on Growth of NIC Bank Limited

This section undertook to establish whether strategy control was practiced and the corrective procedures used in strategy control. It further evaluated the influence of strategy control on performance of a strategy and the entire bank growth. It was established that after evaluation of a strategy, control measures were undertaken in accordance with the results of the evaluation.

The control process begins with the discussion of the results of the performance of a given strategy. Areas of improvement are highlighted as well as opportunities

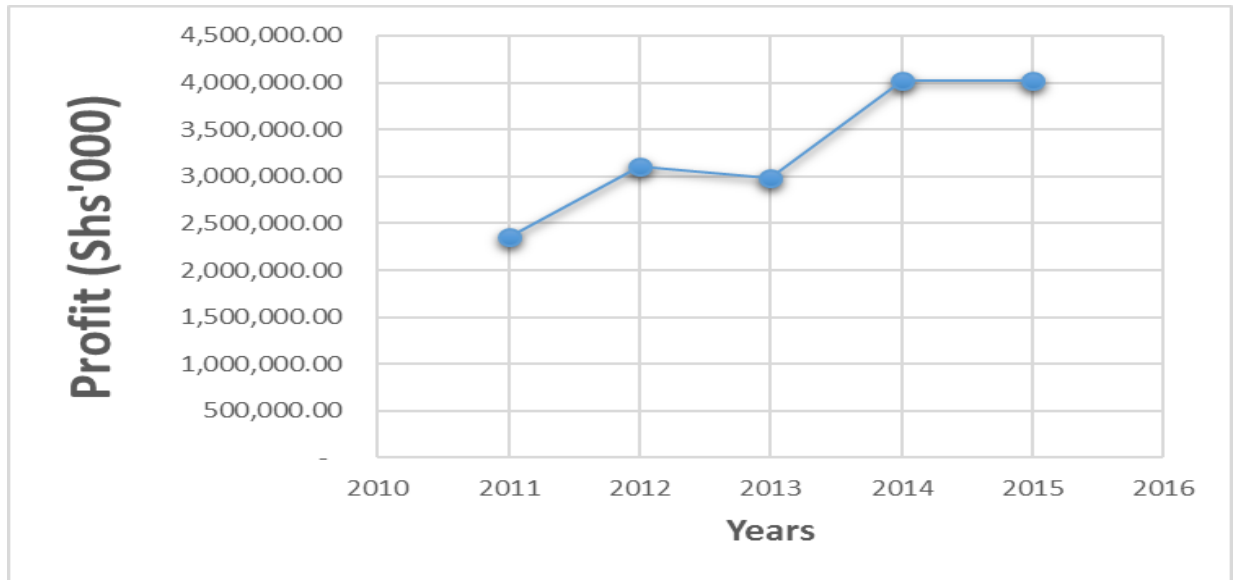
established. Various changes are done to the strategy and implementation of the changes begins, which was said to be similar to the implementation process of a strategy. Employees been the implementers are actively involved in all steps of strategy control both junior and senior. The respondents further added that strategic management was a team work with the senior management working closely with junior staff.

Under this section the researcher evaluates the trend of the growth exhibited by the bank in terms of asset base and profitability. The researcher further evaluates the relationship between the growth and strategic management practices by looking at the influence of the implemented strategies.

4.3.6 Performance Trend in Terms of Profitability

The researcher presents an illustration of profitability trend exhibited in the last five years. The researcher also discusses the respondents' opinions regarding to the trend and its relationship with strategic management practices.

Figure 4.1: NIC Bank Limited Profitability Trend



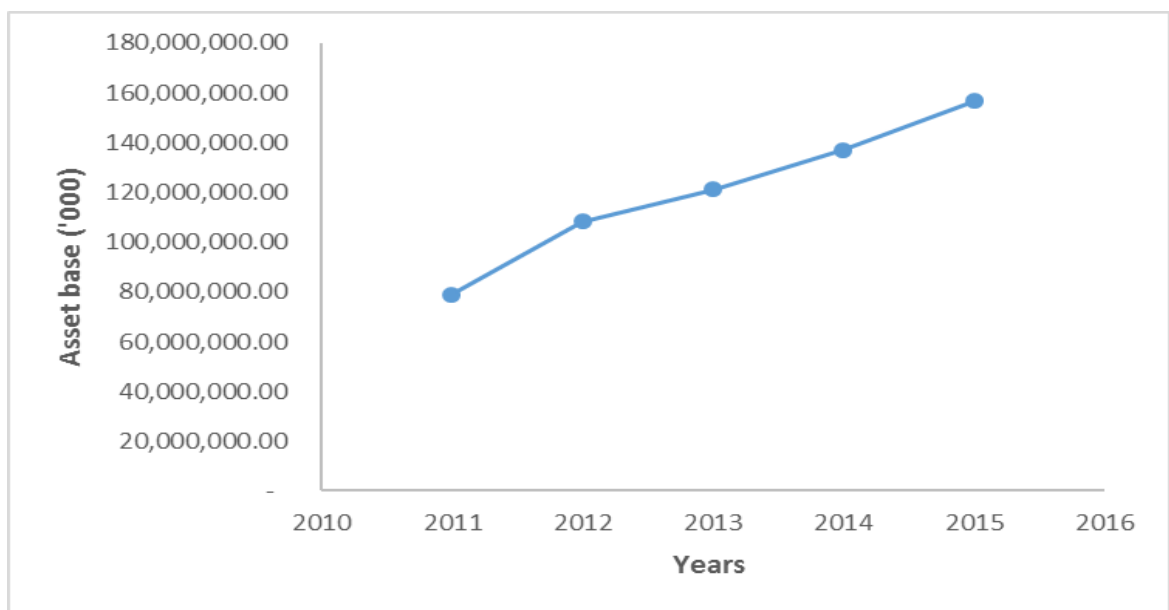
Source: Field data

Figure 4.1 presents the bank profitability whereby the profit for the bank rose from in 2012 from 2011 however there was slight reduction in 2013 which was followed by steady rise in 2014 stagnating in 2015. A further discussion with the respondents revealed that the great increase in profit in 2014 which was sustained in 2015 was as a result of proper management of ambitious strategies which have been consistently adopted since 2012. These strategies range from strategic partnership, use of recent technologies, aggressive marketing and expansion. The respondents further added that the proper management of such strategies led to achievement of the bank objectives as well as cutting a competitive edge.

4.3.7 Growth Trend of NIC Bank Limited

The researcher used the bank's asset base to illustrate the growth of the bank. Further discussions were evaluated regarding the growth of the bank and the role of strategic management practices.

Figure 4.2: NIC Bank Limited Growth in Capital



Source: Field data

Figure 4.2 presents the growth of the bank's asset base has been growing in terms of absolute numbers since 2011. A sharp rise is evident in 2012 followed by steady rise up to 2015. The growth in asset base experienced by the bank can be attributed to various strategies adopted by the bank which include and not limited to expansion policies. Further discussions with the respondents revealed that the bank had seen steady increase in loans and advances to customers.

However, the bank's growth has been faced by numerous challenges spanning from government regulations to external environment challenges and inflation. For instance, the increase of Central Bank Rate (CBR) from 7% in October 2011 to 18% in December 2011 making NIC bank loans to be expensive and competition in the Kenyan Market. NIC Bank will continue to face stiff competition in its defined markets, Strategic management must therefore play leading roles in ensuring that strategies are well formulated, implemented, evaluated and controlled. Through this product can be differentiated and business segments can create unique products and services that can easily be distinguished from those of competitors.

4.4 Discussion of Results

From the study findings the bank embraces strategic management through having an elaborate system of strategy formulation, implementation, evaluation and control. For formulation a dynamic strategy formulation policy has been instituted which has led to unveiling of multiple strategies to match the market's demands. Market focus approach, product differentiation and cost leadership have been used in coming up with operational strategies. This tally with Johnson and Scholes (1999), who describe strategy formulation as entailing strategic positioning of the company in terms of its external and internal environments and stakeholder expectations.

According to the respondents the bank carried out the implementation of strategies through a series of clearly laid down procedures. The respondents explained that strategy implementation procedures were crucial to success of any strategy. Time was thus taken in ensuring a careful execution of a strategy. The respondents also emphasized that most

of the strategies that have been adopted by the bank have escalated the bank's competitive advantage.

According to the respondents it was established that the bank carried out strategy evaluation on continuous basis. This was done in order to improve the currently implemented strategies and ensure adherence to one of the core values which is innovativeness. The bank's evaluation process is in accordance with Hill and Jones (2001) who describes strategy evaluation as involving making sure that strategy implementation report is given evaluative and any necessary adjustments are made to achieve the intended purposes.

The findings agree with the existing theories, In resource based view the resources determine the advantage and the overall performance an organization can achieve, the adoption of strategic planning in the bank helps align their resources in order to achieve their strategic objectives by increasing efficiency and effectiveness. This dynamic capability theory links the capabilities that a firm possesses and the overall performances that results from interlinking this capabilities through application of strategies that are well formulated and implemented by the competent and skilled personnel. This is also established in the finding as an area of agreement between the findings and the existing theories.

The study further reveals that after evaluation of a strategy, control measures were undertaken to address the results of the evaluation. The control process begins with the discussion of the results of the performance of a given strategy. Areas of improvement are highlighted as well as opportunities established. Various changes are done to the strategy and implementation of the changes begins.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings and concludes on the key results together with the recommendations. It also highlights limitation and suggests any further possible research to be undertaken.

5.2 Summary of the study

The research was carried in NIC Bank headquarters and five interviewees were used. The interviewees were part of senior management with over five years' experience in the bank therefore their opinions were considered credible. The researcher analyzed the study findings by categorizing strategic management practices into: strategy evaluation, strategy formulation, strategy control and strategy implementation.

The study revealed that, in the recent past the bank had formulated several strategies which turned out to be successful. Included in these strategies were: strategic partnership with other firms in provision of leasing facilities, diversification through acquisition of subsidiaries, automation of loan application process, the use of social network platforms, the rights issue to raise more capital, customized credit cards, online and mobile banking applications through NOW Mobile Application, borderless banking, active involvement in corporate social responsibility and expansion strategy. The combination of these strategies was attributed by the respondents as the key to multi-dimensional growth experienced by the bank. Strategy formulation was further considered as very crucial to

sustainable growth in the competitive sector. The bank therefore adopted three approaches in development of strategies namely: market focus approach, product differentiation and cost leadership are used in coming up with operational strategies. These were coupled with constant research and development in environmental scanning to establish threats, opportunities, strengths and weaknesses.

The formulated strategies were later implemented through a series of laid down procedures. These procedures involved: capacity building, employees' education, disbursement of resources, development of a reward structure and assignment of responsibilities to every team and their leaders. Some of efficiently implemented strategies which have led to increased competitive advantage included: establishment of NIC leasing LLP and creation of strategic partnerships for instance with MoneyGram, MPESA, and Western Union which has facilitated the penetration and widening of market network to reach more SMEs and retail outlets customers hence realizing early success for 2014 strategic shift.

Evaluation of implemented strategies was further carried on continuous basis. This was done via a survey to both consumers and employees. Customer care and ICT & Operations Departments are involved in feedback collection as well as the social media which is used in obtaining direct feedback.

After Strategy evaluation control measures are undertaken to correct any maladies experienced in the strategy execution. The control process begins with the discussion of the results of the performance of a given strategy. Areas of improvement are highlighted as well as opportunities established. Various changes are done to the strategy and implementation of the changes begins, which was said to be similar to the

implementation process of a strategy. Strategic management is further viewed as a team work initiative with the senior management working closely with junior staff.

The performance and growth of NIC bank for the last five years was also considered. The bank performance was measured by the profitability. It was established that the bank profitability had an increasing trend with highest increase been experienced between 2013 and 2014. Further discussions revealed that the aggressive strategies had contributed to the high rise in profitability. The growth of the NIC Bank as illustrated using the asset base revealed the same trend as profitability. The growth in asset base experienced by the bank was attributed to various strategies adopted by the bank such as expansion policies and increase in loans and advances to customers.

5.3 Conclusion of the study

Dynamic changes experienced in the Kenyan banking industry, has forced firms to institute strategies that helps them to evade risks attributed to changes in the business environment. Strategic practices have been adopted by NIC as observed in the studies which were found to be more vibrant compared to other banking institutions. The study found that the bank has brought together various strategies to adequately adapt to the new changes that are experienced by the bank. Some of the major strategies that were observed are good corporate governance, acquisition, automation of business processes, branch network expansion and acquisition of new technologies that allow further penetration in various markets.

It can be reckoned that NIC has made enormous steps to capture a huge portion of the market through various innovations, advertisement and expanding their business and

offering good customer services but there are still some urgent issues that the bank needs to address in order to sustain its growth momentum. The bank has not actively embraced the agency banking as compared to other banks with agents all over the country. The recent amendment of Banking Act 2015; capping the interest rates, requires the bank to refocus on generation of non-interest income.

5.4 Recommendations of the study

From the study findings it is hereby recommended that for the bank to gain more competitive advantage it should put in place strategies for their customers to benefit from agency banking all over the country. The bank should also institute Islamic/Sharia compliant policies to tap the growing Islamic believers market. Due to the amendment of Banking Act 2015 to cap interests, the bank should also consider raising the generation of non-interest income, it will thus be a step ahead if it pioneers in such strategies. The stiff competition further calls for business reengineering, strategic management must therefore play lead role in ensuring that strategies are well formulated, implemented, evaluated and controlled. Constant review and improvement of existing strategies is further recommended to match up with the dynamic banking sector.

5.5 Areas suggested for further Research

A comparative study covering the whole banking industry should be done to examine the influence of strategic management practices adopted by other players in the Banking Industry on banks' performance. This would give a broader picture of the strategic management practices adopted viz a viz the existing challenges in the dynamic Banking Industry in Kenya thereby making generalization possible.

5.6 Limitation of the Study

Majority of top management staff who were the interviewees in this study were operating under tight schedules, therefore the researcher had to reschedule interview sessions on various occasions and thus not able to achieve a consistent interview as well as delaying the study work. The time periods of the interview sessions were also limited and some interviewees were also not willing to offer much information due to the fear of granting competitive information to their competitors. However, through persuasion the researcher was able to obtain substantial information relevant to the study.

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APPENDICES

APPENDIX 1: INTERVIEW GUIDE

My name is Levi Nyamu Mulei; I am a student in Nairobi University undertaking a degree in Master of Business Administration (MBA). I am carrying out a research study on the effects of strategic management practices on growth of NIC Bank Limited. I hereby humbly request for your participation in the study by offering the required information as per the interview guide. The information is being sought solely for academic purposes and will be treated with strict confidence.

SECTION 1: GENERAL INFORMATION

I. Respondent's Job Title in the Company:

II. Respondent's Department/Section:

III. Respondent's duration of service in the company:

IV. Respondent's duration of service in the banking sector:

SECTION 2: STRATEGY FORMULATION

1. What are the new strategies has NIC Bank Limited introduced in the last five years?

2. What is the contribution of each of the above strategies towards bank performance?

3. What is the procedure followed in strategy formulation?
4. What new branches has NIC Bank Limited opened in the last five years?
5. Which countries has NIC Bank Limited entered in the last five years?
6. What is the role of strategy formulation process on performance of the bank?

SECTION 3: STRATEGY IMPLEMENTATION

1. Describe the laid down guidelines of strategy implementation at NIC Bank Limited?
2. What are the procedures followed during strategy implementation?
3. Are the employees involved in strategy implementation? Briefly discuss how they are involved.
4. Would you describe the procedures followed in sensitizing the employees on the strategies being implemented?
5. What do you think is the influence of strategy implementation on growth of the bank?
6. How does strategy implementation process contribute on performance of the bank?

SECTION 4: STRATEGY EVALUATION

1. To what extent do you think the bank carries out an evaluation on implemented strategies?
2. What are the procedures followed by NIC Bank Limited during strategy evaluation?
3. To what extent would you describe employee participation in review or evaluation of the bank's strategies?
4. What are some of the strategy evaluation techniques do you use for your strategy evaluation?
5. What mechanisms are in place to ensure that employee contributions are incorporated in the final strategy evaluation?
6. Describe briefly the influence of strategy evaluation process to growth of the bank.
7. How does strategy evaluation process contribute on performance of the bank?

SECTION 5: STRATEGY CONTROL

1. Does the bank carry out control procedures on implemented strategies?
2. What are the procedures followed by the bank during strategy control?

3. What actions are taken to ensure that strategy problems are detected and corrected?
4. Describe briefly how the bank tracks the efficiency of each strategy
5. What do you think is the influence of strategy control on growth of the bank?
6. How does strategy control contribute on performance of the bank?

SECTION 6: BANK GROWTH AND PERFORMANCE

1. How can you describe the trend of bank growth over the past five years?
2. How would you relate the strategies implemented to the growth of the bank's profitability?
3. Do you think the implemented strategies have led to increased market share for the bank?
3. What is your take on the overall influence of strategic management practices on the growth of the bank?
5. Under each of the following banking industry environment factors, please describe their influence on performance and the overall growth of the NIC bank.

- I. Competition in the banking industry
- II. Government policies
- III. Rise in inflation
- IV. Changing customer expectations
- V. Technological changes
- VI. Other industry environment factors

APPENDIX 2: INTRODUCTION LETTER



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE... 05/08/2016

TO WHOM IT MAY CONCERN

The bearer of this letter... LEVI NYAMU MULEI


Registration No... D61/60595/2013

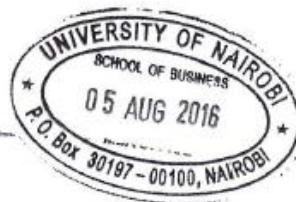
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



APPENDIX 3: GOVERNANCE STRUCTURE OF NIC BANK LIMITED

NIC Bank Group’s governance structure is summarized in the chart below:

