

**THE EXTENT TO WHICH OPERATIONAL STRATEGIES
ADOPTED BY EQUITY BANK DETERMINE ITS
PERFORMANCE**

BY

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DECLARATION

This management research project is my original work and has not been presented for a degree in any other university.

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

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Thank you and may the Lord God Almighty abundantly bless you all.

DEDICATION

To my Parents Titus and Mary Njeru, without your direction and encouragement I would not have gotten this far. To my siblings Shelmith, Stella and Brian thank you for your patience and support.

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ABSTRACT

Operations strategy refers to how the operations management function contributes to a firm's ability to achieve competitive advantage in a marketplace. Operations strategies are developed from the competitive priorities of an organization, which include low cost, high quality, fast delivery, flexibility, and service. This research seeks to answer the question; do the operational strategies adopted by Equity Bank determine its performance? This research has one objective and it is to find out the extent to which operational strategies adopted by Equity Bank determine its performance.

The respondents who were to be interviewed were the operation managers of five equity bank branches the general manager of operations, the director of corporate strategy and director of operations, out of the eight to be interviewed the study managed to interview five of the target sample. The data was analyzed through content analysis because the study solicited for data that was qualitative in nature. Findings from the study indicate that Equity Bank has two major trends that have significantly impacted the role of operations strategy within the Bank; one is an increasing trend towards the globalization of business and two is the advances in technology, especially information technology.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

According to Slack, Chambers and Johnston (2004) operations strategy concerns the pattern of strategic decisions and actions which set the role, objectives and activities of operations. The use of the term pattern implies a consistency in strategic decisions and actions over time. Slack and Lewis (2002) state that operations strategy might come about in a top-down or a bottom-up process with regard to business and corporate strategies. Similarly, an operations strategy might be developed in response to market requirements i.e. market-led or be based on the capabilities of its operations resources i.e. operations-led.

Effectiveness is the term commonly used to refer to the goal attainment of a measure, thus relating the outcome of a process to its original goals. According to Porter (1996) operational effectiveness refers to any number of practices that allow an organization to better utilize its inputs. For example reducing defects in products or developing better products faster. Dera (2010) states that operational effectiveness is about continuously improving functional performance, and to do this, managers lead and control the functional activities within the organization, measure and improve the processes that they are responsible for, and leverage those processes through standardization, communication

and automation to then close the loop to provide ever increasing efficiency and effectiveness.

According to Alvord (2007) many organizations measure the performance of the organization on efficiency. The field of cost accounting is built around these concepts and principles. The problem is that efficiency is no longer an effective measure of what is happening in the operation of the organization. It is possible to achieve high levels of efficiency and still operate at a loss. Today's organization require a different measure this where effectiveness comes in. In other words, how effective are the resources being applied to the operation? Efficiency can be interpreted as the ratio of the output to the input of any system it is skillfulness in avoiding wasted time and effort.

1.1.1 Nature of Operational Strategies

Operations according to the business dictionary is to transform resource or data inputs into desired goods, services, or results, and create and deliver value to the customers. Two or more connected operations constitute a process, and are generally divided into four basic categories: processing, inspection, transport and storage.

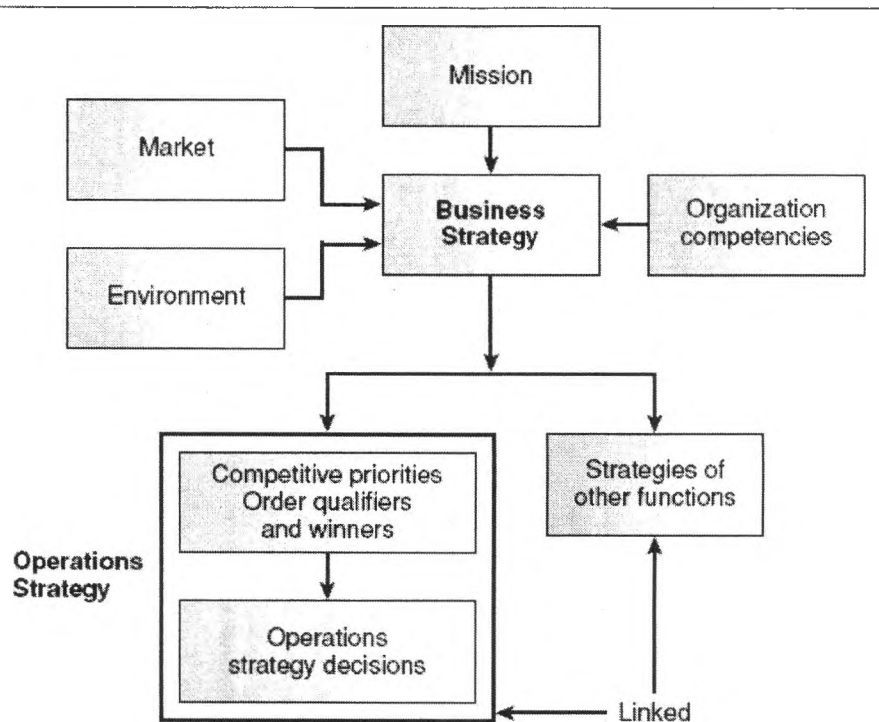
Traditionally an operation refers to the production of goods and or services separately, although the distinction between these two main types of operations is increasingly difficult to make as manufacturers tend to merge product and service offerings. More generally,

operations management aims to increase the content of value-added activities in any given process. Fundamentally, these value-adding creative activities should be aligned with market opportunity for optimal enterprise performance.

Fundamentally, organizations exist to create value, and an operation involves tasks that create value. Michael Hammer (2004) maintains that operational innovation can provide organizations with long-term strategic advantages over their competitors. Regardless of whether the organization is for profit or not, primarily service or manufacturer, public or private, it exists to create value.

Operations strategy refers to how the operations management function contributes to a firm's ability to achieve competitive advantage in a marketplace. Operations strategies are developed from the competitive priorities of an organization, which include low cost, high quality, fast delivery, flexibility, and service. Operations strategies also depend on order qualifiers and winners, which relate to requirements for success in the market place.

Figure 1. The operations strategy process



Mintzberg and Quinn (1992) Strategy Process: Concepts and Contexts

1.1.2 Organizational Performance

Effectiveness according to the business dictionary is the degree to which objectives are achieved and the extent to which targeted problems are solved. In contrast to efficiency, effectiveness is determined without reference to costs and, whereas efficiency means "doing the thing right," effectiveness means "doing the right thing." According to

Mosselman and Prince, (2004) effectiveness includes not only the extent to which an intervention objective has been achieved, but also the unintended and unplanned consequences of such activities.

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment, etc.), product market performance (sales, market share, etc.) and shareholder return (total shareholder return, economic value added, etc.). The term Organizational effectiveness is broader.

1.1.3 Kenya's Banking Industry

According to Adams (2010) The Central Bank of Kenya (CBK) was established in 1966 out of a desire to have an independent monetary and fiscal policy. In addition to performing the duties of traditional commercial banks, the Central Bank of Kenya has the special responsibility of ensuring price stability by preventing inflation, creating monetary policy and supervising other commercial banks. The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK).

The banking sector in Kenya was liberalized in 1995 and exchange controls lifted. As at financial year 2008, Kenya's banking sector consisted of 45 institutions, which comprised of 43 commercial banks and 2 non-bank financial institutions, of the 45 institutions, 33 are locally owned. The 12 foreign owned banks are split into locally incorporated banks and branches. Local banks make up approximately half of the total sector's assets. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and also addresses issues affecting its members.

1.1.4 Equity Bank Limited

Equity Bank Ltd. (EBL) commenced business on registration in 1984; and its board members then consisted only of close family friends. Equity Building Society was set up in 1984 to provide financial services to the mwananchi. From inception it had a strong social mission. While profit was considered important, the founders were more concerned with contributing to the social and economic development of rural Kenya by providing the poor with access to financing. The business model was simple: Equity Building Society collected savings from customers and gave mortgage loans. In just a few years, the company had opened five branches in rural areas.

Later on however Equity's board was restructured to include four independent members from preeminent Kenyan organizations and EBL also began recruiting externally for key senior management positions, in order to position the institution for long-term growth in which James Mwangi the Managing director was the most critical hire.

James became the CEO in 2004 and continued guiding Equity's transformation from a mortgage financing provider to a savings and loan institution, a path completed on January 1, 2005. In August 2006, Mwangi oversaw the bank's listing on the Nairobi Stock Exchange, with an initial valuation of Ksh 6.3 billion.

The bank's main income-generating products were micro-loans, since they offered a less competitive market than mortgages, while also representing an opportunity for growth and innovation. Yet, the company did more than simply swap financial products; it underwent a company-wide vision and mission process that firmly committed staff and management to the micro-finance sector. New and existing executives and staff received self-awareness and management skills training that created a fresh appreciation for their ability to effect change within the microfinance market. The training provided an understanding of the microfinance sector and the enormous benefits their work would bring to Kenyan communities.

With over 6 million accounts Equity is home to over 57% of all bank accounts in Kenya making it the largest bank in the region in terms of customer base. The solidness of Equity bank is underpinned by its massive shareholder fund base of over Kshs.17 billion complemented by an additional Kshs.7 billion of subordinated tier two capital. The capital base makes Equity the most capitalized bank in the region.

Additionally EBL has received both local and global accolades for its unique and transformational financial model.

1.2 Research Problem

According to Porter (1996) operational effectiveness means performing similar activities better than rivals perform them. Operational effectiveness refers to any number of practices that allow a company to better utilize its inputs by, for example, reducing defects in products or developing better products faster. This leads to hyper competition and commoditization because nobody is differentiated. Companies will get short-term gains from operational effectiveness. Porter (1996) also describes operational effectiveness as a necessary but not sufficient condition for organisational success, and of course the same thing can be said of strategy.

Over the past decade, managers have been under increasing pressure to deliver tangible, measurable, performance improvements. Programs in operational effectiveness produce reassuring progress. A company must continually improve its operational effectiveness and actively try to shift the productivity frontier; at the same time, there needs to be an ongoing effort to extend its uniqueness while strengthening the fit among its activities. In the end, the only group that wins from operational effectiveness is the customer.

Such is the case in the banking industry as in the past few years it has been even more challenging for banks brought about by an increase in uncertainty in the sector's future,

in terms of growth and profitability, the entrance of new banks from West Africa, as well as the convergence of banks with telecoms to provide a wider suite of products.

By creating the strategy / operational effectiveness dichotomy, Porter (1996) paved the way to explore operational effectiveness in its own right as the other major player in organisational success. Studies previously done that is close this topic is that done by Gituto (2009) on Relationship between operational Efficiency and growth of commercial banks in Kenya. He did not really touch on operational strategies; hence this research seeks to answer the question; do the operational strategies adopted by Equity Bank determine its performance?

1.3 Research Objective

This research had one objective and it was to find out the extent to which operational strategies adopted by Equity Bank determine its performance.

1.4 Value of the study

The study will prove invaluable to the management of Equity bank as this study will explore the extent to which operational strategies adopted by Equity Bank determines its performance in the midst of competition. It will also shed light on how some of the operation strategies employed by Equity bank can be employed in other industries.

This study will benefit other scholars and students of management on the operational strategies employed by Equity bank and if it really leads to success. Others who will also benefit are bank managers of other banks, for they will learn from the operational strategies performed at Equity Bank and if they can employ the same in their banks.

This study will also be valuable to policy makers both in the private and public sector as they can view the best practices to come up with as well as enforce operational strategies that lead to their organizations success. This study will also grow the theory in operational strategies and prove beneficial to all of academia in this country and the world.

CHAPTER TWO: LITREATURE REVIEW

2.1 Introduction

This chapter addresses the current knowledge and in depth evaluation of previous research. It will integrate previous research and explain how it integrates into this proposed research.

2.2 Operations Strategy

According to Inman (2012) operations strategy is the collective concrete actions chosen, mandated, or stimulated by corporate strategy. It is, of course, implemented within the operations function. This operations strategy binds the various operations decisions and actions into a cohesive consistent response to competitive forces by linking firm policies, programs, systems, and actions into a systematic response to the competitive priorities chosen and communicated by the corporate or business strategy. In simpler terms, the operations strategy specifies how the firm will employ its operations capabilities to support the business strategy.

The achievement of world class status through operations requires that operations be integrated with the other functions at the corporate level. In broad terms, an operation has two important roles it can play in strengthening the firm's overall strategy. One option is

to provide processes that give the firm a distinct advantage in the marketplace. Operations will provide a marketing edge through distinct, unique technology developments in processes that competitors cannot match.

The second role that operations can play is to provide coordinated support for the essential ways in which the firm's products win orders over their competitors, also known as distinctive competencies. The firm's operations strategy must be conducive to developing a set of policies in both process choice and infrastructure design (controls, procedures, systems, etc.) that are consistent with the firm's distinctive competency. Most firms share access to the same processes and technology, so they usually differ little in these areas. What is different is the degree to which operations matches its processes and infrastructure to its distinctive competencies.

2.3 Operational effectiveness

According to Porter (1996) operational effectiveness includes but is not limited to efficiency. It refers to many practices that allow a company to better utilize its inputs. According to Codija (2011) operational effectiveness is a mark of business performance it gives a company some discretion in how it sells its products and services, as well as how it reports its financial results. Specifically, a well-run, operationally effective business is required for long-term profitability, as this effectiveness helps management

track all kinds of expenses. These include production costs and overhead expenses. These are costs not directly related to the volume of goods and services produced, and include rent, asset depreciation and insurance.

According to Dera (2010) some of the components of organizational effectiveness include: Good management, effectual business model, strong culture, mission and vision, strategy linked to organizational goals, ability to translate strategy into action, clear practices, policies and procedures, talented team members with a passion for their work and a level of satisfaction that leads to low turnover, supportive environment accepting of change and innovation, emphasis on planning, training, and support, good inter departmental communication, adaptive organizational structure capable of implementing performance/process improvement, well-designed monitoring/measurement systems, consistency and congruency between words and actions.

2.4 Organizational performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard, Devinney, Yip & Johnson (2009) organizational performance encompasses three specific areas of a firm's outcome: financial performance (profits, return on assets, return on investment, etc.); product market performance (sales, market share, etc.) and shareholder return (total shareholder return, economic value added, etc.).

In the recent years however, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as: financial performance (e.g. shareholder return), customer service, social responsibility (e.g. corporate citizenship, community outreach) and employee stewardship.

2.5 Strategy and operational effectiveness

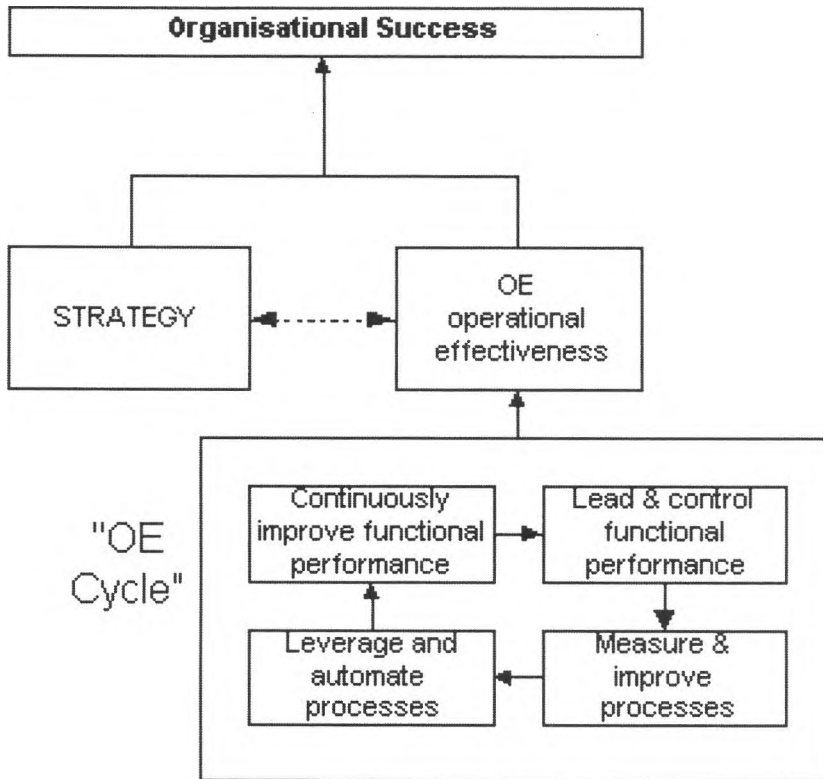
According to Codjia (2011) operational effectiveness and strategy are correlated, albeit distinct, concepts. Corporate strategy gives department heads the tools to formulate adequate tactics, important elements that foster operational effectiveness later on. Lately, leaders have tended to dwell on operational effectiveness. Ideas that emerged in the late 1980s and early 1990s, such as total quality, just-in-time, and reengineering, were all focused on getting a company to be more effective. And for a while, some Japanese companies turned effectiveness into an art form and were incredibly competitive.

Japan's obsession with operational effectiveness became a huge problem, though, because according to porter (1996) only strategy can create sustainable advantage and strategy must start with a different value proposition. A strategy delineates a territory in which a company seeks to be unique. The pure reliance on operational effectiveness as strategy replacement works only as long as competitors are not employing the same process and improvements but as soon those best practices are made common within the industry,

operational effectiveness becomes mutual destructive and counter-productive with imitations and homogeneity as end result.

The relationship between strategy and operational effectiveness goes a little deeper than simply mutual dependency. They inform each other. Operational effectiveness is about having functions in the organisation that work well. These functions are, of course, the organisation's skill sets or core competencies and therefore, as Porter (1996) points out, must fit together and work together to implement the strategy. On the other hand, the possible strategies available to an organisation are constrained, at least in the medium term, by the skill sets available to implement them.

Figure 2 Operational Effectiveness cycle



Ewyk O. (2003) Achieving Operational Effectiveness by leveraging knowledge

Functions are the specialized units within the organization that work together to produce, and support the production of, its outputs, whatever they may be. Typically these specialized units reflect the fundamental way in which the organization's activities are grouped in order to exercise control - such as sales, production, logistics, research and development, and so on. They are specialized in order to concentrate expertise and the greater their expertise, the greater will be their effectiveness, particularly when the expertise differentiates the organization from its competitors. Leading and controlling

functional performance covers the activities of the organization's people its staff and encompasses all the factors that lead, encourage, and support people to be more effective factors such as leadership, training, interpersonal relationships, teamwork, etc.

Operational effectiveness is consolidated, maintained, and improved through constant learning and innovation. Measuring and improving this process can be achieved by the application of such well-established programs as total quality management, continuous process improvement, and Six-sigma.

Operational effectiveness also demands that the organization constantly and systematically seeks out opportunities to leverage personal and process expertise by widening their application and by constantly seeking opportunities to improve quality and efficiency via automation. The aim, and the end result, is continuous improvement in functional performance. It is not enough simply to achieve a certain level of operational efficiency. Operational effectiveness encompasses the capacity to continuously improve, leverage, and automate.

According to Laseter (2009) an operations strategy offers guidance for decisions related to structural investments as well as investments in capability building. The consistency, or "fit," among these structural decisions and operational capabilities determines the company's effectiveness in achieving the desired positioning articulated by the overall corporate strategy. Although it is true that most companies do not explicitly articulate an

operations strategy, the decisions made by operations executives ultimately produce or erode competitive advantage.

Although the structure of a company's operations footprint represents a critical set of strategic decisions, management also needs to focus attention on the use of operations activities to build distinctive, strategically relevant capabilities. Organizations must be performance driven possessing the operational capability needed to support and realize the overall business strategy. The best organizations are the ones that make the fewest mistakes. They are the ones that do not stray from their core principles.

2.6 Measuring operational effectiveness and performance

Mosselman and Prince, (2004) state many things can be measured against effectiveness, such as time, materiel, personnel, resources, and funding. It can also be examined in terms of outputs, outcomes, affectivity, goal attainment, cost-effectiveness and macro impact. Effectiveness includes not only the extent to which an intervention objective has been achieved, but also the unintended and unplanned consequences of such activities.

Performance measures quantitatively tell us something important about our products, services, and the processes that produce them. It is a tool that helps us understand, manage, and improve what our organizations do. Effective performance measures can let

us know: How well we are doing, if we are meeting our goals, if our customers are satisfied, if our processes are in statistical control, and if improvements are necessary.

Performance measurement yields many benefits for an organization. They include; it provides is; a structured approach for focusing on a program`s strategic plan, goals, and performance, it provides a mechanism for reporting on program performance to upper management, also manage, describe, and improve processes.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is a way to systematically solve the research problem. This chapters focuses on the process of data collection; validity of the research data and the reliability of measure.

3.2 Research design

The problem posed in this research was best studied using the case study method. According to Kothari (1990), a case study emphasizes depth rather than breadth, and the study entailed a descriptive research design. This explains the findings on the extent to which operational strategies adopted by Equity Bank Ltd determine its performance.

According to Donald and Pamela (2003) and Boyd, Westfall and Stasch (1990) a descriptive study aims at determining the what, when and how of a phenomenon which is the concern of this study. It thus allows for an in depth explanation to the extent to which operational strategies adopted by Equity bank determines its performance.

3.3 Data collection

The type of data collected was qualitative in nature and the data collection method used involved the collection of both primary and secondary data. The primary data was collected through personal interviews using open ended questions covering issues of operational strategies. The open ended questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information. The secondary data was collected from previous research done as well as other literature from the bank.

The respondents interviewed included the operation managers of two branches and the branch managers of two other branches, as well as the general manager of operations at the head office. The interview guide is included in the appendices.

3.4 Data Analysis

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted from it. The data collected was analyzed using content analysis technique because the data was qualitative in nature, and since the case study was conducted in a single organization where the interviewees were drawn from.

Content analysis is relevant to this study since it does not set barriers hence the interviewees can express their opinion fully. According to Mugenda and Mugenda (1999)

content analysis involves observation and detailed description of objects, items or phenomena that comprise the sample. This allows for qualitative description of data from the interview.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter addresses results of the research objectives outlined in chapter one of this study. This section covers data analysis, results and discussion. The case study on the extent to which operational strategies adopted by Equity Bank determine its performance was analyzed using content analysis, due to the qualitative nature of the data collected through interviews.

4.2 Operational strategies adopted by Equity Bank

Equity Bank's Operations department is the largest department in the bank, this is because it consists of majority of the branch staff, head office operational units including; agency, card center, cash center, contact center; risk monitoring and central clearing departments. This department is headed by a director and several general managers based on the units mentioned above.

Meetings of the business heads occurs every quarter without fail and this is where the banks directors meet the branch managers and a session of feedback and reporting takes place. The Branch leaders report on the customers experience and how any new strategies are adopted within the bank.

Equity Bank has seen incremental growth in form of its technology and bank applications starting from its core banking system Finacle v8 which was an upgrade from Bankers Realm. Finacle v8 has been in use now for the last 5 years and is now up for an upgrade as well, to keep abreast with the market demands and invention of newer technologies.

Equity Bank staff numbers have increased to over six thousand and this has demanded the necessity of an enterprise resource planning system (ERP) which has enabled it to keep abreast with all its staff and processes. The ERP has enabled quicker and faster access to all employees directory allowing for tracking of leave management, the procurement process, asset management and financial records this allows the branches to know their financial performance at the click of a button.

Equity has also upgraded its Switch system which forms the connectivity of all its channels i.e. POS, ATMS, connectivity to the core system and can now handle the processing of more transactions per minute than any in the region. Other applications introduced include a customer relationship management system (CRM) that allows the storing all customers' vital information to allow for quicker processing and interaction between the customer and the bank.

The average age of Equity's employees is twenty seven showing a majority of them are young and tech savvy, this forms Equity's distinct competency which allows the employees to understand and adopt faster to any changes in technology. The processes

and procedures involved in Equity match an individual's competencies and are constantly reviewed by the human resources team.

Equity's operations are constantly under review and enhancement by the risk management department which compose of compliance, enforcement and audit departments. The compliance teams constantly visit the branches and head office departments in the bank to update on any new process or procedure. They are then followed by the enforcement team who ensure first that the laid down processes are being followed to the letter. Audit then come next and they ensure that the IT applications meet the banks security standards and that the financial performance is being met vis-à-vis the set targets and expectations.

Equity has gone further to include a suit of different products on offer for its cliental providing a one stop shop for its customers. The products introduced in the bank are supported operationally at the branches level include; custodial which allows NSE share trading, CDS account opening, mobilization and immobilization of share certificates. Another service offered is insurance; it allows customers to purchase medical insurance, vehicle and household insurance.

Equity prides itself in being a learning organization and enforcing this culture are the senior staff. Majority of the directors have attended the Strathmore IESE Business School in Barcelona Spain for their advanced management programme. Several other General Managers also get to go to other Ivy League schools for their masters or diploma

courses. To uphold this culture Equity has been known to recruit from the very best schools and individuals who have worked in some of the top bank institutions in the world.

Equity bank has recently created a new department called Research and Development under the Human resource department. This Department researches on the customer experience, views and analyses the market with regards to products and process. Usually the market position of a company must be aligned with its operations capabilities.

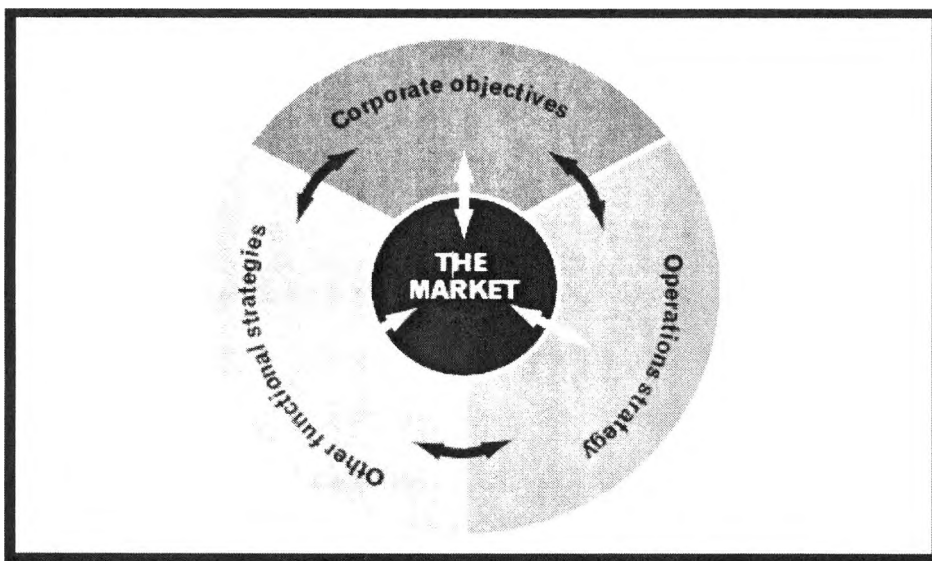
4.3 Discussion of results

It is no doubt that operations is the engine that makes up the business in Equity Bank, for it consists of the branch managers who report directly to the director and the branches are in the fore front of generating new business and sustaining business, so in one way or the other, their performance affects the profit the bank will make. The quarterly meetings allow for the quick arrest of any new strategy that is not yielding results. This allows for a change of strategy before any negative impact can continue.

The continuous technological upgrade undertaken by Equity Bank has allowed for faster turnaround times in customer service allowing for shorter queues, and minimal time spent in the branch which is what the current generation prefers. It has allowed the bank to remain competitive and maintaining an edge over its competitors. This demonstrates the link in which corporate strategy has been brought about by the linking of the IT strategy

to meet the operational business demands by providing systems that can keep up with the pace of operations, i.e number of accounts opened or transactions performed in a day and thereby meeting the operations strategy. As shown in figure 3.

Figure 3: Strategy and the Market

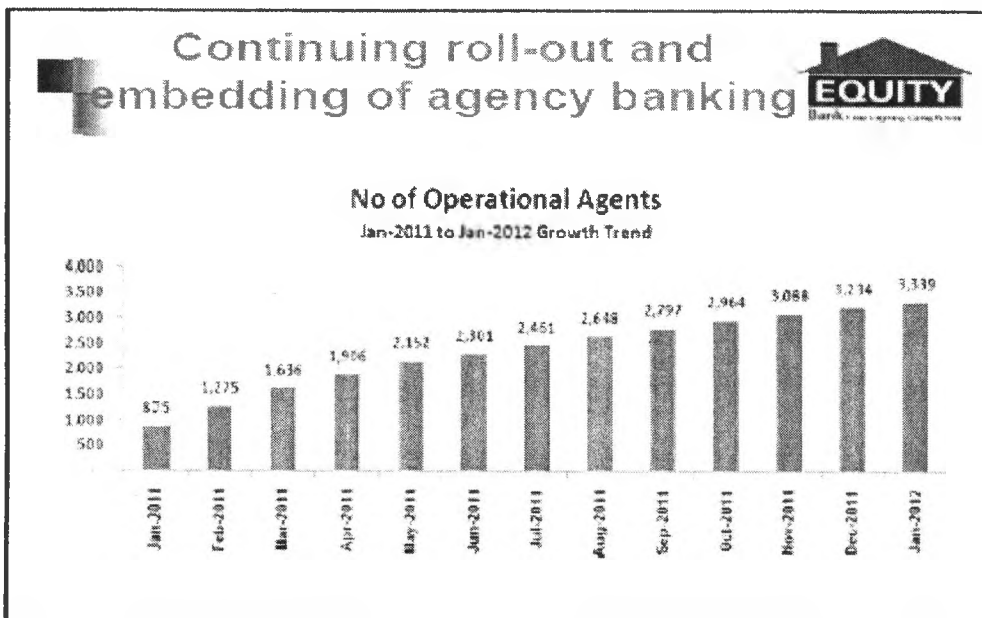


Hill, A. & Hill,(2011) *Essential Operations Management*

Quality and effectiveness is a never ending quest and continuous process improvement (CPI) is a never ending effort to discover and eliminate the main causes of problems. CPI accomplishes this by using small-steps improvements, rather than implementing one huge improvement. With CPI we seek to learn what causes things to happen and then use this knowledge to: Reduce variation, remove activities that have no value to the organization, improve customer satisfaction.

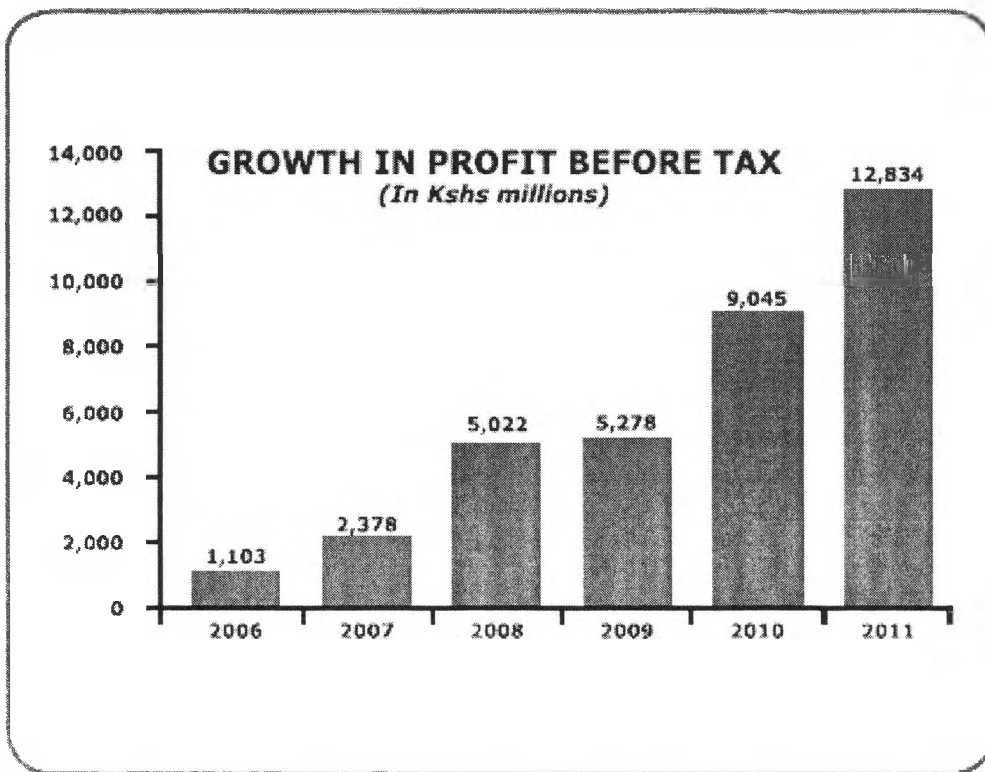
Equity Bank has seen tremendous growth of agency banking as shown in figure 4 below. There was some misconception at first that the introduction of agency banking would lead to the demise of the banking halls as agency banking can be run from your local goods store, but agency has led to the strengthening of the branches operations by mobilization of more accounts growing the customer base as well as deposits. It has also shortened the distance for the customer who doesn't have to go to the branch and it has also brought about the reduction of queues in the banking halls. This now allows the branch to operate with a much smaller and leaner staff work force. It has also enabled the branch to serve a wide variety of its customers' needs i.e. custodial services, insurance brokerage.

Figure 4: Agency Banking Growth



The continuous enforcement and changes of the operational process undertaken by Equity has enabled it to be operational effective. This can be measured by the outcomes set in their quarterly targets which include the measure of customer growth, cost reduction as well as staff productivity. The linkage of operational effectiveness and operational strategy bring about the organizations success, as noted in figure 5.

Figure 5: Profit growth before tax.



Mwangi J (March 2012). 2011 Financial Results Investors Briefing

Equity has not dismissed the resource led approach to devising operations strategies, Equity's culture of enforcing education has enabled its staff to embrace any new strategy and at the same time analyze the market, to create a fit between its strategies and operations. This allows for a seamless process between creating strategy and its execution. There is a strong argument that innovative and profitable differentiation in any market is best achieved through developing unique and difficult to imitate operations capabilities, Equity seems to have gotten this right.

The Research department has proven to be the link between the corporate strategy and the operations departments; the department regularly engages the customers and staff on the process taking place in the bank and their effects. All companies have markets, but not all companies have operations capabilities worth exploiting, this has allowed the operations department to continuously improve its processes.

What management defines as critical success factors at the strategic level must be linked clearly to the business process and activity level. Successfully linking the real drivers of business performance is a prerequisite to effective performance measurement. Equity has now started measuring the performance of the various units in the whole bank and basing its remuneration on the overall performance of that branch or department. So each member of the team contributes to the overall score in the team's success. This approach has brought about the strengthening of teams support for one another as well as team building. All employees sign performance contracts for each quarter and are appraised by

the meeting of these targets signed. If Equity has conflicting performance measures, they are certain to have differing values and directions, many of which will be disconnected from the company's strategy.

In operations, there is often an over emphasis on measures such as labor efficiency, output just to absorb overhead and as a result, poor performance is apt to appear as longer lead times, decreased on-time delivery, increased inventory investment, higher operating costs and decreased throughput. Defining what drives the company's overall business success from the activity and process level to financial and marketplace success should be the way to do it and Equity seems to be doing just that. A good performance measurement system also benefits the entire organization by letting people know exactly what is needed and expected. This can be done by providing a way for individuals and teams to monitor their own performance and create their own feedback to identify areas for improvement.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter summarizes the results of the research objective outlined in chapter one of this study. This section covers the summary of the answers posed by the research question, conclusion of the study, recommendations for further research which have emerged from the findings and results of the study, as well as the limitations faced while conducting the study.

5.2 Summary

This Study had one objective which was to find out the extent to which operational strategies adopted by Equity Bank determine its performance.

It is no doubt that Equity bank is one of the largest banks in the country, and is fast growing within the region, and it has proved itself by remaining competitive since its inception. From operations management, there is usually a big disconnect from the strategic plan due to the lack of alignment and proper measurement of the business processes and activities that drive financial results.

It's is through the operational strategies that has enabled the bank to continue making profit. The Strategies employed by the operations department change with the ever continuous changes in the environment. It is through the demands or strategies of the operations department that forces other departments to change their strategies as well.

More often than not the company's mission statements realization is based on the operations department strategies. So if the operations department strategy is wrong or not yielding any benefits the company won't be able to realize its mission.

5.3 Conclusion

Two major trends that have significantly impacted the role of operations strategy within Equity Bank; one is an increasing trend towards the globalization of business and two is the advances in technology, especially information technology. There is a limit to where marketing can take you, beyond that limit you need to be really good at operations. Equity Bank measures its operational success through how well its strategies are being achieved.

The constant checking of its strategies is what has kept equity's profit rising. The growth of its branches has taken the banking services to more people allowing for globalization of banking, and the growth of Equity's brand. Financial results are the ultimate measures,

but not drivers, of business success; as a result, the need to link day to day activities to financial results is necessary.

5.4 Recommendations

This study has brought to light the extent to which operational strategies adopted by Equity Bank determine its performance. It has shown how Equity has embraced technology to enhance its operational strategies. However Equity still needs to embrace other measures to improve its performance.

Total quality management (TQM) is another measure in which Equity bank can employ. TQM is a management approach for an organization, centered on quality, based on the participation of all its members and aiming at long-term success through customer satisfaction, and benefits to all members of the organization and to society.

Another measure Equity bank can use is the Balanced Score Card (BSC). Through the BSC framework the company's strategy is translated into strategic objectives and measured around four perspectives: financial, customer, internal process, and learning and growth. Although originally designed as a business wide strategy framework, it has quickly become popular in the development of functional strategies.

5.5 limitations of the study

Resources of both time and funds were major limitations. The study was confined to Equity Bank due to time and resource constraints. This did not allow the researcher to compare the interview respondents from several other Equity bank branches. A large sample size of all branches in the region would have been better suited to the study but it was not possible in the view of the scarcity of funds and time.

A lot of time was spent scheduling appointments with interviewees due to their busy work schedules and some interviewees had difficulty answering the questions especially those they considered confidential due to competition. Other limitations included the interviewees not giving concurrent and consistent answers which made the analysis and interpretation difficult.

5.6 Suggestions for further research

I propose further research be carried out on how other strategies affect the performance of Equity Bank and the banking industry as a whole. It will be interesting to find out the strategies other banks use and how it affects their performance. This will show how other banks measure their performance.

Further research can also be done on the relationship between operational effectiveness and performance of Equity Bank. Operational effectiveness is about continuously

improving functional performance. It means performing similar activities better than rivals perform them. Operational effectiveness includes but is not limited to efficiency.

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Appendix 1

Introductory Letter

University of Nairobi,
School of Business,
P.O. Box 30197,
Nairobi
12th June 2012

Dear Respondent,

RE: COLLECTION OF CASE STUDY DATA

I am a postgraduate student pursuing a Master of Business Administration Degree at the School of Business, University of Nairobi. I am currently undertaking a management research project on operational strategies.

The study is titled “The extent to which operational strategies adopted by Equity Bank determine its performance. “

This is to kindly request you to take some time and answer the questions herein. The information you provide will be used exclusively for academic purposes. My supervisor and I assure you that the information you give will be treated with strict confidence.

Thank you in advance.

Yours faithfully,

Judy Njeru

E, Mududa

Student

Supervisor

Appendix 2

Interview Guideline

- 1) Respondents Name?

- 2) Respondent's position?

- 3) Does Equity Poses an Operational strategy, policies and procedures manual?

- 4) Who was involved in the formulation of the operational strategies, policies and procedures?

- 5) In your own opinion are the current operation policies and procedures relevant with the operations being carried out at Equity Bank, if not what do you propose?

- 6) What avenues or channels does Equity Bank use to come up with new operation strategies, procedures and policies to be implemented or enhanced?

- 7) In your opinion what are the factors that mostly affect Equity Bank's choice of operation strategies, policies and procedures?

8) What operational strategies does Equity Bank employ to achieve success in the market?

9) How does Equity Bank track and measure the success of its operation strategies?

10) What methods does equity employ to make operations effective?

11) How does Equity know if its operational strategies are still effective?

12) What measures are taken when an operation is not leading to effectiveness?

13) Are there any other factors that help the organization remain effective?