

**CHALLENGES OF STRATEGY IMPLEMENTATION AT THE
MACHAKOS BRANCH OF EQUITY BANK, KENYA**

BY

MATIVO MARY MWONGELI

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DECLARATION

This management research project is my original work and has not been presented for the award of any diploma or degree in any other university.

Signed: í í í í í í í í í í í í

Date: í í í í í í í í í

MATIVO MARY MWONGELI

D61/72901/2009

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

Signed: í í í í í í í í í í í í

Date: í í í í í í í í í ...

DR. MARTIN OGUTU

Department of Business Administration

School of Business

University of Nairobi

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DEDICATION

This project is dedicated to my grandparents Umau Samson Mbinda and Susu Anna

Mutheu Mbinda. I love you.

ABSTRACT

Strategic management deals with strategy formulation, implementation and control. The implementation of strategies presents many challenges which may lead to changes in both a great or minor way. These implementation challenges faced by the firms are from within and without.

This research sought to find as the major objective the challenges faced by Equity Bank, Machakos branch and the measures taken to overcome them. The interviewees were taken from the top management of this branch. A guided interview was used to guide the interviews conducted in person. Content analysis was used to derive information collected. The responses showed that most challenges faced by the bank were under control as the management took the necessary measures to combat them. The responses also revealed that strategic plans were documented and expectations well known by the interviewees. The challenges faced are stated in this research and the measures taken discussed. From this research, the bank's strategies are in place and well executed.

In conclusion, the study comes up with several challenges faced by the bank and these include economic challenges, high employee turnover, rapid bank growth, inadequate staff and some consumers not willing to embrace new technologies. A recommendation is to have further studies done in this area of strategy implementation in other bank branches and to have a different target group other than the top management.

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LIST OF ABBREVIATIONS

CBK	Central Bank of Kenya
CEO	Chief Executive Officer
UML	Uganda Microfinance Limited
NSE	Nairobi Stock Exchange
EQTY	Equity
USE	Uganda Securities Exchange

CHAPTER ONE: INTRODUCTION

1.1 Background of Study

Strategic management focuses on the scope and direction of an organization and often involves dealing with uncertainty and complexity. Johnson and Scholes (2002) define it in three main elements. The first deals with understanding the strategic position of an organization. This relates to management's understanding about the impact of the external environment on organizational strategy, the organization's strategic capability and the influence and expectation of its key stakeholders. The second element is management exercising strategic choice about possible future strategies to seek competitive advantage. The final element is translating strategy into action through the development of appropriate structures, processes and resources within the organization and managing change (Johnson and Scholes, 2002).

1.1.1 Strategy Implementation

Strategy refers to a plan of action which is designed to achieve a particular goal. There are many competitors in the market and only the best competitor wins and gets the bigger market share. Strategy plays a big role due to the rapidly changing environment. A strategy thus entails managerial choices among alternatives and signals organizational commitment to specific markets, competitive approaches and a way of operating (Thompson and Strickland, 1989:2). Harvey (1988) defined strategic management as the process of formulating, implementing and evaluating business strategies to achieve future objectives. A good strategy is one that enables the organization to effectively match its capabilities with the environment, which is matching its strengths and weaknesses to the

environmental opportunities and threats. Aosa (1992) observes that a mismatch between the environment and the organization brought about the failure to respond to changes in the environment creates a strategic problem.

According to Ghosan (2002) strategy is 5% thinking and 95% execution. Strategy implementation, which proceeds strategy formulation, involves putting into action the developed or chosen strategies. A strategy may be good but can fail if not properly implemented. The strategic management process is composed of three main processes namely strategy analysis, strategy formulation and strategy implementation. Alexander (1985:91-97) identifies inadequate planning and communication as two major obstacles to successful implementation of strategies. Others are ineffective co-ordination of implementing activities, insufficient capabilities of employees, inadequate training given to lower level employees, lack of clear responsibility being fixed for implementation, lack of support from other levels of management (Nyika, 2007:27). Studies by Okumu (2003:32) found that the main barriers to the implementation of strategies include lack of coordination and support from other levels of management and resistance from lower levels and lack of poor planning activities.

Implementing strategy is tough and consumes more time than coming up with a strategy. Implementation is action oriented and involves leadership, motivation, change and creating a fit between the organization structure and the strategy. Kaplan and Norton (2006) observed of the importance of matching the structure of the organization to the strategy so as to unlock value. For effective strategy implementation, it should be effectively operationalized and institutionalized.

Operationalization of Strategy is the first major step in strategy implementation and it involves the development of functional or operational plans and tactics which can be easily executed or employed. It is done at the operational or functional level of strategic management. At this stage, the strategy of the firm should be matched to the firm's available resources. Institutionalizing of Strategy is the second step of strategy implementation and involves matching the strategy to the institutions of the firm.

1.1.2 Banking Industry in Kenya

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 was liberalized in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. There are about forty six banking and non bank institutions in Kenya.

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region and automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional banking products. Players in this sector have experienced increased competition over the last few years resulting from increased innovations among the players and new entrants into the

market. This has served the Kenyan economy well as the customers and shareholder are the ones who have benefited the most.

The major issues facing the banking industry include new regulations especially with the passing of the new constitution. CBK requires financial institutions to build up their minimum core capital requirement to Kenya shillings 1 Billion by December 2012. Another challenge is the Global crisis experienced affected the banking industry in Kenya and more so the mobilization of deposits and trade reduction. Lastly is the Interest margins declines which have also affected the banking industry in Kenya. The outlook of the banking industry is expected to remain stable following amendments to the Banking Act that gives the Central Bank powers to effectively supervise the sector. The strict enforcements of this act and prudential guidelines will continue to be pursued. Recent efforts taken to ensure the stability of the banking sector are expected to facilitate a smooth functioning market based financial system.

1.1.3 Equity Bank

Equity Bank, whose vision is to be the champion of the socio-economic prosperity of the people of Africa, is a financial services provider headquartered in Nairobi. Equity Bank was first incorporated in 1984 as Equity Building Society. Later, it transformed into a microfinance institution and eventually into a commercial bank. Starting in 2008, Equity Bank started regional expansion by taking 100% shareholding in Uganda Microfinance Limited (UML), a profitable microfinance institution with 28 full service branches and 14 agency branches, for a share-acquisition deal valued at approximately US \$ 25.3 million. UML was renamed Equity Bank (Uganda) and started operating under the new name in

April 2009. Also in 2008, Equity Bank obtained regulatory approval to open a subsidiary in South Sudan. As of October 2010, the bank has 119 branches in Kenya, 47 in Uganda and 3 in south Sudan. Equity Bank has declared their intention to enter Rwanda and Tanzania.

Equity Bank has an asset base estimated at over US \$ 1.5 billion, and shareholders' equity in excess of US \$ 237 million as of June, 2010. Shares of the stock of Equity Bank Group, the parent company of Equity Bank, are listed on the Nairobi Stock Exchange (NSE) under the symbol EQTY. The Group's stock is also cross listed on the Uganda Securities Exchange (USE), under the symbol EBL. The detailed shareholding in Equity Bank Group is not publicly known.

With almost 120 branches across Kenya, Equity Bank governance comprises a 12 member Board of Directors, chaired by Peter Munga. One of the non-executive directors, James Mwangi, serves as the Managing Director and Chief Executive Officer of the bank. The bank was named as the 'Best Performing Company in Africa' during the annual African Investor Index Awards held in 21st September, 2009 in New York. The African Investor Index Awards recognize and reward institutional investors, stock exchanges, corporate governance, stockbrokers and capital market regulators across the continent.

Equity Bank Machakos is unique in its rural setting and offers financial services to its clients so as to empower them both socially and economically. It is transforming the lives of many people, including house helps and low income earners who have been able to borrow as little as Ksh. 500 from the bank. Machakos town is to the southeast of Nairobi

and is the capital of the Machakos District in Eastern province of Kenya. It is approximately 64 kilometers from Nairobi and has a population of 192, 117 as of 2009. Being an upcountry outlet of Equity Bank of Kenya, this study will yield important information of the challenges of strategy implementation as compared to the head branch of the bank.

1.2 Statement of the Problem

Strategy implementation involves putting into action the strategies that have been formulated and developed hence making it more challenging. It is a phase in which procedures are put in place to collect and process the data that enable the measurements to be made regularly (Freedman and Tregoe, 2003). Several issues arise which pose as challenging and these include resource mobilization, restructuring, cultural changes, technological changes, policy changes and leadership changes. A strategy may be good but if its implementation is poor, the strategic objective may not be achieved. There are many challenges facing the banking industry from within and from without. According to Pearce and Robinson (2004), success or failure of a strategy implementation revolves around the nature of the strategy itself, the policies and support system, alignment of the strategy to short term objectives, resource allocation, the fit between structure and strategy, leadership, communication process and the organization culture. Due to increased competition, any bank needs to implement its strategy effectively. This study aims at finding out the challenges experienced by the Equity Bank, Machakos branch in implementing strategy.

Several studies have been undertaken in the area of Strategy implementation in different organizations including the Red Cross (Ombati, 2006), Scripture Union of Kenya (Nguluu, 2006), CMC Motors Group LTD (Machuki, 2005), TELCOM KENYA (Koske, 2003) and AMREF (Muthuiya, 2003). Olali (2006) did a survey of the challenges in the strategic plan implementation in the Cooperative Bank, but this study was held at the head branch. It can however not be assumed that the challenges faced at the head branch are similar to those experienced at the other smaller branches countrywide.

In her survey Olali (2006) mentioned that as one of the limitations that the study was done at the head branch more and that it could be enriched by getting views from Branch heads also responsible for the implementation of strategy that concern their branches. Hence this study will be based on the Machakos branch of Equity Bank to find out the implementation challenges experienced in this small bank outlet. This bank as compared to the other commercial banks is unique in that it takes its banking services to the people through its accessible, affordable and flexible service provision. There being no one way of implementing strategy, this study will focus on the strategic implementation challenges experienced by Equity Bank, Machakos Branch and will seek to answer these questions:

- i. What are the challenges faced in strategy implementation at Equity Bank, Machakos branch?
- ii. What are the measures taken to counteract the strategy implementation challenges at Equity Bank, Machakos branch?

1.3 Research Objectives

The objectives of this study are:

- i. To establish the challenges faced by Equity Bank, Machakos branch in strategy implementation
- ii. To find out the measures taken to counteract these challenges at Equity Bank, Machakos branch.

1.4 Value of the Study

This study will contribute positively in a number of ways. First to the Equity Bank of Kenya in establishing whether strategy is being implemented effectively both in the head branch and the other smaller branches countrywide. Action may then be taken so that they may successfully achieve the objectives of this prestigious bank in Kenya.

Second, this study will be beneficial to the banking industry in Kenya as a whole. It will help them ascertain if different strategic implementation measures need to be undertaken at the branch levels as opposed to the head branches. Strategies may need to be modified to suit the other smaller branches countrywide for effective and efficient implementation and hence achieving the firms' objectives well.

This study will also be beneficial to future academic researchers in this study institution and other institutions and hence add to the body of existing body of knowledge of this very important topic of strategy implementation. Lastly the stakeholders of Equity bank and other interested parties will be in a better position to understand well the challenges faced in strategy implementation from the outcome of this study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Strategy

The concept of strategy has been borrowed from the military and adapted for use in business. In business, as in military, strategy bridges the gap between policy and tactics. And together, strategy and tactics bridge the gap between ends and means. Strategy comes from the Greek word *strategia* which means generalship. In the military, strategy often refers to maneuvering troops into position before the enemy is actually engaged. Strategy also refers to the means by which policy is effected.

Mintzberg (1994) points out that people use strategy in several different ways, the most common being these four; strategy as a plan, strategy as a pattern, strategy as position and strategy as perspective. He argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time. This pattern in decisions and action defines what Mintzberg called realized or emergent strategy.

Ansoff (1984) defined strategic management as a systemic approach to the major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will assure its continued success and make it secure from surprises. Therefore strategy can be referred to as a framework through which a firm can assert its vital continuity while managing to adapt to the changing environment so as to gain competitive advantage.

Strategy therefore which is the unifying theme that gives coherence and direction to the decisions of an organization is very vital. Strategic management consists of the analysis, decisions and actions an organization undertakes in order to create and sustain competitive advantages. It basically tries to answer the question; How and why do so firms outperform others?

According to Johnson and Scholes (2002), strategic management includes strategic analysis which is concerned with understanding the strategic position of the organization in terms of its external environment, internal resources and competencies and expectations and influence of stakeholders; strategic choice which involves understanding the underlying basis guiding future strategy, generating strategic options for evaluation and selecting from among them; and strategic implementation which concerned with translation of strategy into organizational action through organizational structure and design, resource planning and management of strategic change.

2.2. Strategy Implementation

Porter (1996) argues that competitive strategy is about being different and deliberately choosing a different set of activities to deliver a unique mix of value. Strategy is about competitive position, about differentiating one in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. He goes ahead to define competitive strategy as a combination of the ends for which the firm is striving and the means by which it is seeking to get there.

Strategy then has no existence apart from the ends sought. It is a general framework that provides guidance for actions to be taken and at the same time is shaped by the actions taken. The necessary precondition for formulating strategy is a clear and widespread understanding of the ends to be obtained. Without these ends in view, action is purely tactical and can quickly degenerate into nothing more than a flailing about.

Effective implementation begins during strategy formulation when questions of how to do it should be considered along side questions of what to do. Effective implementation results when organization resources and actions are tied to strategic priorities and when key success factors are identified and performance measures and reporting are aligned (Deloitte and Touche, 2003). Successful implementation depends on working through others, organizing, motivating and creating strong fits between strategy and how the organization does things (Thompson and Strickland, 2003).

In order to achieve its objectives, an organization must not only formulate but also implement its strategies effectively. Implementation involves the application of the management process to obtain the desired results and includes designing the organization's structure, allocating resources, developing information and decision process and managing human resources. Strategy implementation is the process of allocating resources to support the chosen strategies. This process includes the various management activities that are necessary to put strategy into motion, institute strategic controls that monitor progress and ultimately achieve organizational goals.

Strategy implementation involves putting into practice what has been formulated. The process of implementing strategy in a firm is executed through a number of ways or practices which can be said to be the controls on the firm's operations thus they either obstruct or facilitate translation of strategy into action. In organizing for success, structure is one of the key ingredients. But, regardless of any structure, organizations cannot work effectively without the formal and informal organizational strategy practices (Johnson and Scholes, 2002). These practices include direct supervision, planning and control systems, performance targets, market mechanisms, social cultural processes, and self control and personal motivation.

The first practice is direct supervision which entails the direct control of strategic decisions by one or a few individuals. This is a process commonly found in small organizations. It is usually found in family businesses and parts of public sector known to have hands-on political environment. This process may also be appropriate when there is a major change like major transformation taking place in the business environment. This threatens the survival of the organization thus calling for autocratic control through direct supervision.

Planning and control systems are involved where the successful implementation of strategies is achieved through systems that plan and control the allocation of resources and monitor their utilization (Freedman, 2003). A plan covers all parts of an organization showing clearly in financial terms the level of resources allocated to each unit as well as the detailed ways in which the resource is to be used. Unlike the planning process where targets tend to be about resource inputs, performance targets relate to outputs. An

organization's performance is judged either internally or externally based on its ability to meet the targets, though within specified boundaries it remains free on how targets should be achieved. This approach may be appropriate in situations where the corporate centre controls the strategies and performance of business units to ensure that corporate objectives are achieved. Performance targets are usually measured using performance indicators, which should be both quantitative and qualitative in nature (Pechlaner and Sauerwein, 2002).

Market mechanisms involve some formalized system of contracting for resources or inputs from other parts of an organization and for supplying outputs to other parts of an organization. It has been a dominant process through which organizations relate to their external suppliers, distributors and competitors in most sectors of free market economies (Freedman and Tregoe, 2003). This may begin in a small way in competitive bidding such as the creation of an investment bank or top sliced resources held at the corporate centre and the business units can bid for additional resources for their projects. It is a successful process for supporting innovative ventures especially during the early stages.

Social cultural processes are concerned with organizational standardization of norms. The historical formal processes of coordination might have been successful in the slower moving, less complex environment (Sterling, 2003). However, these may be inadequate to meet the challenges of the 21st century. The social processes and self-controls within organizations are of major importance and they help in delivering successful strategies. They are particularly important in organizations facing complex and dynamic environments because the fostering of innovation is crucial to survive and succeed in

these circumstances. It should be allowed to flourish through the social processes, which exist within and between the informal processes whereby individuals and groups interact to share and integrate their knowledge.

Lastly, self control and personal motivation achieve the integration of knowledge and coordination of activities by the direct interaction of individuals without supervision (Johnson and Scholes, 2002). Motivation of individuals and their self-control has become increasingly important to performance due to the rapidity of change, increasing complexity and the need to exploit knowledge. Managers need to ensure that individuals have the channels to interact, such as IT and communication infrastructure, and that social processes created by this interaction are regulated to avoid rigidities.

2.3 Strategy Implementation Challenges

Thompson and Strickland (2003) state that strategy implementation challenge is to create a series of tight fits between strategy and the organization's competencies, capabilities and structure; between strategy and budgetary allocation; between strategy and policy; between strategy and internal support systems; between strategy and reward structure; and between strategy and the corporate culture. However, the problems of strategy implementation relate to situations or processes that are unique to a particular organization even though some problems are common to all organizations.

Strategy implementation faces numerous challenges. These challenges arise from sources that are internal to the organization or external to the organization. The particular challenges will depend mainly on the type of strategy employed, the organization and the prevailing circumstances. Many of these challenges can be avoided if strategy

development is coupled with strategy implementation. Generally, challenges can range in the following dimensions; communications, competitors, culture, customers, finance, globalization, governance, investors, leadership, marketing, outsourcing, policies, products, technology and sales.

A major challenge facing strategy implementation is leadership. Leadership can be defined as the process of persuasion where an individual induces a group to pursue certain objectives. A leader transforms and motivates followers by making them more aware of the importance of task outcomes, inducing them to transcend their own self-interest for the sake of the organization or team and activating their higher order needs. Strategic leadership should ensure that values and culture within the organization are appropriate for satisfying key success factors. Leaders therefore influence their followers to act in a desired direction. Their influence depends on their attitude, personality, leadership style, motivation, reputation and skills or experience.

Culture of the organization can pose as a challenge to strategy implementation if it is not compatible to the strategy. Aosa (1992) observes that lack of compatibility between strategy and culture can lead to high organizational resistance to change and demotivation, which can in turn frustrate the strategy implementation. Corporate culture refers to the set of common values, attitudes, beliefs that members of the organization share in common. It also includes organizational members' habitual ways of doing things. Culture impacts on most aspects of organizational life such as how decisions are made, who makes them, how rewards are distributed, who is promoted, how people are treated and how organization responds to environmental changes (Morgan, 1998).

Organizational culture refers to the set of assumptions (often unstated) that members of an organization share in common (Pearce and Robinson, 2003). Robins and Coulter (2002) define culture as a system of shared meaning and beliefs held by organizational members that determines, in large degree on how they act.

Another strategy implementation challenge often faced is communication. Management must quickly and effectively articulate the strategic and tactical goals of the firm. Aaltonen and Ikavalko (2001) state that the amount of strategic communication in most of the organizations is large, both written and oral communication is used in form of top down communications. However, a great amount of information does not guarantee understanding and there is still much to be done the field of communicating strategies.

To achieve strategic vision and a competitive advantage, reliable and effective technology has to be in place. Once an organization has acquired competence in making a certain product, it can maximize productivity by procuring the latest and modern technology. For example Ohmae (1985) describes Japan as an unforgiving economy where thousands of corporations go out of business every year as a result of failing to invest in new technological innovation (Teresko, 2004). Information and technology risks are rarely adequately examined in the strategy formulation and implementation process. Poor technology may lead to difficulties in communication for example, hence making it tough to monitor the implementation process and hence take timely and remedial action.

Resource insufficiency is another common strategy implementation challenge. Organizations have at least four types of resources that can be used to achieve desired objectives, namely: financial resources, physical resources, human resources, and

technological resources (David, 2003). Resource allocation is the process of ensuring that all necessary time, financial, skills and knowledge are made available (Okumu, 2003). Once a strategic option has been settled upon, management attention turns to evaluating the resource implications of the strategy (Campbell et al., 2002). The operating level must have the resources needed to carry out each part of the strategic plan (Harvey, 1998). It should therefore be possible to implement a strategy with the resources available and it is not possible to implement a strategy which requires more resources than can be made available.

A final challenge in strategy implementation is the compensation systems that measure and reward performance in the firm. According to Byars et al (1996) most incentive programs are designed only for top management and lower levels of management and operative employees do not normally participate. If strategy accomplishment is to be a real top priority, then the reward structure must be linked explicitly and tightly to actual strategic performance (Thompson and Strickland, 1998). Bryson (1995) asserts that people must be adequately compensated for their work. At its simplest, strategy is all about managing change and resistance to change can be considered the single greatest threat to successful strategy implementation. The behavior of individuals ultimately determines the success or failure of organizational endeavors and top management concerned with strategy and its implementation must realize this (McCarthy, 1996). Change may also result to conflict and resistance. People working in organizations sometimes resist such proposals and make strategy difficult to implement (Lynch, 2000).

2.4 Coping with Strategy Implementation Challenges

There are various remedies which can be employed to cope with these strategy implementation challenges. For leadership, effective strategy implementation requires a leader who can influence members of the organization to focus their effort in the same direction through teamwork. The leader should also team up with the organization's key players like the Chief Executive Officer and the Directors, who in turn should support the leader for best results to be achieved. Also, when choosing a leader some traits are to be considered. He should be able to articulate a clear and appealing vision, he should explain how the vision can be attained, he should be confident and optimistic, he should express confidence in his followers and most importantly, he should lead by example. Management should therefore identify critical contributors and collaborate with them. It should also engage and educate executives who are key to success of the firm.

The importance of diverse corporate cultures can not be underestimated. To cope with this challenge the management needs to launch a change process to establish a one company's unified culture. It should also ensure that the leaders have the sensitivity, creativity, patience and communication skills necessary to curb cultural conflicts. It is the strategy maker's responsibility to choose a strategy that is compatible with the sacred or unchangeable parts of prevailing corporate culture (Thompson and Strickland, 1989). A lack of mutual trust and respect can be a challenge to strategy implementation and a leader can use such tools as performance and professional growth reward systems to build and regain this trust. Each person should be made to understand his role, responsibility and reward for achieving the firm's goals and hence success.

According to Wang (2000), communication should be two-way so that it can provide information to improve understanding and responsibility, and to motivate staff. Also, they argue that communication should not be seen as a once-off activity focusing on announcing the strategy. It should be an on-going activity throughout the implementation process. In many cases it is not so and therefore communication still remains a challenge to strategy implementation process. Adequate resources and leverage technology including intranets, blogs and inquiry centers with well informed assistants should be provided. Also, respect of cultural differences will go a long way in ensuring effective communication.

Information Technology solutions are expensive and often fragile. They can quickly spiral out of control and can cause irreparable damage to a firm. Significant challenges with security, hardware, software, networks, recoverability, database and knowledge management, talent development and user training should be anticipated. IT strategies should be aligned to meet implementation objectives. The IT resources should also be utilized responsibly.

Financial policies for resource allocation are frequently critical implementation challenges. These policies include signature approval levels, expense reimbursement, budgetary guidelines, goodwill amortization policies and capital acquisition authority. Differences in values, empowerment, management competence and technology often clash in the context of financial policies. Financial policies must be closely monitored. Any changes in the policies should be communicated promptly and an explanation given as to why these changes have been made.

Lastly, to cope with compensation challenges, financial rewards for everyone involved should be on the basis of deadlines met and goals realized so as to motivate all participating. Rewards should be cascaded throughout the organization. As strategic initiatives are cascaded down to support the strategy implementation, key staff should understand their role in the process and the specific rewards for achieving success. Rewards must be tied to a timeline for change and quantifiable milestones.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This research methodology chapter presents a description of how the study was approached. It presents the design used in the research, data collection and data analysis approaches.

3.2 Research Design

The study was conducted through a case study design. This is because the data was collected from one study unit, Equity Bank, Machakos branch. It involved an in-depth investigation of the phenomenon of strategy implementation and its challenges in Equity Bank, Machakos Branch, but more important it probed into the forces underlying the challenges.

3.3 Data Collection Method

The study used primary data that was collected by the use of an interview guide. The guide covered the interviewees role in the strategy planning process, it addressed the challenges faced by the firm in implementing strategy and lastly, it looked into the measures taken to cope with these challenges. The study targeted interviewees who were drawn from the support office. They included interviewees from the credit department and the operations department. The study also used secondary data where deemed necessary.

3.4 Data Analysis

The data obtained was descriptive data and content analysis was used to analyze the data. The data was compared with theoretical approaches cited in the literature review thus enabling the researcher to arrive at informed interpretations and conclusions. This type of analysis did not restrict interviewees on answers and had potential of generating more information with much detail.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter contains the research findings from the guided interview guides. The main objectives of the study were to establish the challenges faced by Equity Bank, Machakos branch in strategy implementation and to find out the measures taken to counteract these challenges at this branch. The interviewees were drawn from Equity Bank, Machakos branch top management. The data collected was analysed using content analysis method. These findings are provided below.

4.2 Main Roles of the Departments in the Bank

Equity Bank, Machakos branch was officially opened on the 13th March 2009. Being a relatively recent branch, it is made up of two main departments, that is, the operations unit and the credit unit. The Human resources section is in the Head branch at Nairobi. The operations unit is in place to ensure that all the operations of the bank run smoothly and effectively. On the other hand, the credit unit offers financial access and credit services to the consumers.

Both departments are vital for the bank's operations and they both complement each other. When each runs effectively, the bank is in a better position to achieve its laid out goals and objectives. The vision of the Equity bank to be the champion of the socio-economic prosperity of the people of Africa hence can only be achieved as these two departments operate in congruence.

4.3 Challenges Faced and Measures Taken to Overcome Them

The interviewees came from both the operations department and the credit department. They stated some challenges being faced by the bank branch in the implementation of the strategies put in place and similarly the measures taken to counteract these challenges.

4.3.1 Strategies and Action Plans

There are different roles played by the management of the Equity Bank, Machakos branch in either strategy planning or execution of the laid down strategies. This study will major on the two main departments at this bank namely the credit department and the operations department.

The interviewees from the credit department gave responses concerning their role in strategy planning in the bank, documentation of the strategies and action plans that are executed to ensure successful implementation of the strategies. One interviewee explained that basically the strategic plans for the bank are done from the head office. Budgets are set in accordance to the goals set. For example, in 2010 the bank had grown by 50% which was a goal realized. Once achieved, other goals are set put in place so that they can be attained. The management in the branch then lay out plans and tactics on how to achieve these strategies as per the requirements of the branch in both the loan and credit departments. For the budget, each branch comes up with its own budget and these are conveyed to the board at the head office. The budget is then adjusted or approved after which it is send back to the branch for them to implement the set plans. The management then breaks these goals into monthly and weekly clear cut targets for ease in achieving the set objectives.

He stated that the bank's strategies are documented. The branch prepares a budget specific to its needs and requirements in alignment with the documented strategies for the Equity bank. Once the board at the head branch adjusts or approves the budget, the management at the branch then assigns the appropriate portion to the specific sectors so as to develop and enhance them. Some of these areas which the department deals with are the consumer sector, agricultural sector, corporate sector or the microfinance sector. For example, the microfinance sector can be assigned funds to develop on its marketing and research.

There is a big picture of Equity bank that needs to be achieved and this is broken down to smaller portions for each branch depending on the branch's prevailing requirements. Each branch then gets to formulate its own targets. Appraisals are then conducted quarterly to evaluate how the targets are being attained.

Another interviewee said that planning is done from the head branch and the decisions then trickle down to the branches where it is the role of the top management to communicate them to the staff and see to their effective implementation. Induction is done well and the strategies are conveyed to all staff in the branch competently and adeptly. Therefore the main role is to implement the strategies laid out and ensure consumers access financial services adequately. There are documented strategies which are communicated to all the staff.

Targets are set and everyone works towards them. These strategies are communicated to all so that they can work towards achieving a common goal hence achieve the bank's goals and objectives. Some formulated strategies and new ideas are specific to certain

branches and are piloted there. If they are viable and prove to be a success once implemented they are then carried out in other branches. Most of the new ideas follow this method of piloting. Trainings and workshops are often held to keep the staff up to par on the new technologies and skills required of them. The management is flexible and some of the products are changed as need be so as to suit the needs of the consumers.

The interviewee directly interacting with the consumers at the ground level clarified that participation at this level is through giving the management feedback on the customers' views about the products offered to them by the bank. This enables the bank to come up with informed decisions on how to better meet the needs of their consumers and to improve on the current products being offered. Therefore the role played at this level is to implement the strategies set up by the management. The management then uses the information fed by improving the products to suit the customer needs. The strategies are documented. When new products are innovated, a staff member can be taken from the branch to the head office for training on how to use the new products. Once they complete training, they return to the bank with this knowledge so that the skills are cascaded to the rest of the team.

Customers are also trained about new products. Some staff members train customers in various groups about the new products and other services offered by the bank. There are also graduations of youth groups and women groups with Equity bank after they have successfully trained in financial literacy. The trainings take three months then loans can now be granted. These trainings are also important for imparting financial literacy and

certificates are given. Therefore both staff, customers and even potential consumers are trained.

On the other hand, the major role in the operations department is to ensure that the operations of the branch run smoothly. The goals set at the head office are communicated to the branch and it is up to the operations team to ensure that they are implemented effectively and satisfactorily. The branch usually works with the budget set and works towards the set targets. To achieve the set strategies, it is ensured that the whole team works together to ensure that the set targets are met. Also, frequent meetings are held in order to strategize on the different goals and to monitor progress.

4.3.2 Challenges Faced and Methods to Counter Them

Likewise the interviewees commented on the challenges faced in strategy implementation, how these challenges are affecting the firm, measures taken to minimize them and how effective the measures are.

From the credit department the interviewee said that as a challenge at times one can be overambitious in preparing a budget. Another challenge faced is lack of sufficient staff, there is a lot of potential in the bank growth but no room for a lot of new staff intake. Some staff members resign as better opportunities arise for them. External challenges include high inflation rates, political instability and social problems whereby some competitors come up with propaganda which make consumers shy away from depositing money in the bank or taking loans from the bank.

These challenges are affecting the firm in that in cases of a staff member resigning, there is a gap left leading to the firm being incapable of achieving its goals as required. The cost of operations can therefore go up as new members have to be trained all over again to replace the members who have left. The bank relies on commissions mostly and if the set targets are not met, costs of the various requirements are not adequately covered. Such payments as the rent, electricity and water have to be paid in spite of the financial situation.

These challenges can be minimized by monitoring being performed on a daily basis. Staff members are encouraged consistently and tirelessly so as to keep a positive outlook. They are also involved and take part in the activities and happenings of the bank and openly told the challenges which face the bank. This makes the staff members develop a sense of ownership to the bank, embrace the situations and work towards curbing the existing obstacles. The staff members are handled well using good people management skills. There is mutual respect between the management and the staff members. Year round trainings are offered so as to equip the staff with the necessary skills for excellent performance.

The various department heads and their staff, for example customer service or credit section, hold meetings on a daily basis to make sure that they are on top of their work and any obstacle presenting is efficiently dealt with as soon as it appears. The tactics taken have demonstrated to work because 99% of the set budgets are being achieved and even at times the expectations are surpassed.

The other interviewee explained that Equity bank has come up with plans of educating the consumers on financial issues using an outreach programme. This financial literacy leads to an empowered people who can make wise financial decisions and hence a better life. One challenge facing this outreach programme is the long distances to be covered in order to reach consumers at some of the remote areas and also lack of good road systems. Getting to these areas may prove to be troublesome and problematic especially in rainy seasons.

Another challenge facing the branch is an overwhelming number of consumers as compared to the staff serving them. The staff members are therefore forced to work overtime on many occasions without overtime bonuses. There is also a challenge of high employee turnover as members abscond in search of greener pastures. Consumers who do not qualify to get loans may prove to be challenges by nagging the staff incessantly. Others on the other hand after getting the loans default in making payments.

These challenges overall have a minor effect as most of them are countered effectively by taking the appropriate measures as soon as they present. More expenses are incurred when some members resign and new or unskilled ones have to be trained again. Resignations may also result in performance rates dropping and customer dissatisfaction hence inefficiencies materialize. The management ensures that the staff members work on their targets without fail. Constant meetings are then held to monitor the progress of the set strategies.

To minimize the challenges, they are faced head on and ways are found to work around them to ensure that the firm is on track in achieving its set goals and objectives. The management can look into ways of maintaining staff to reduce the staff turnover. Such ways can include salary increments, promotions, recognition of good or excellent performance. Also, more employees can be recruited so as to meet the high consumer demands. The staff members who work extra hours can be entitled to overtime payments hence motivating them to continue their outstanding work. In house training can also be enhanced. The tactics employed have demonstrated to work because at the end of the day the targets set are achieved.

The other interviewee contributed to the discussion by saying that one challenge faced is financial illiteracy. Many consumers have been running their businesses for lengthy periods but when it comes to managing their finances and even loans this has been a problem. Some consumers are quick to acquire loans but default when it comes to repayments of the same.

Another challenge with the consumers is management of even the little they are able to make in the businesses. They are mostly interested in meeting the basic human needs but saving some finances is a problem. There is no saving culture ingrained in the community. A school fees savings account has been opened to encourage and develop this saving culture in the people. Convincing some people to open an extra account so that they can save school fees for their children in the future has been hard. Many consumers only procure loans when they have a pressing immediate need. They mostly do not plan for the future.

Embracing technology has also been a challenge. One of the main aims of the firm is to encourage consumers to do their banking at the convenience of their own houses and avoid the long queue at the banking hall. Trying to convince the consumers to use mobile banking and other cutting edge innovations proves to be a challenge as most believe in the old fashioned banking hall transactions. Some are even wary of using ATM services especially the elderly as they don't believe in new technologies and are afraid of losing or misplacing the cards. But once the consumers get to understand and embrace these new technologies it can be very convenient for them and time saving and even financially cheaper. Embracing change is hard.

The challenges are affecting the firm in that consumers not willing to embrace the new technologies, like the ATM banking, obtaining money from the supermarket points or allocated agents, always lead to long queues and congestion at the banking hall especially during the month ends. This leads to extra work to the staff members trying to meet all the consumer needs at the banking hall. Financial illiteracy on the other hand leads to the bank going into arrears when consumers are unable to repay the loans procured. This then forces the bank to pressurize the consumers to repay the loans or even lose money in form of bad debts.

To minimize on the challenges the bank emphasizes on training the consumers especially on how to save or developing a saving culture and how to manage finances well. Changes in products or new innovations are communicated effectively to the consumers. The tactics employed are effective and the trainings are carried out persistently without giving up. Change does not always come drastically but it comes with time gradually. The main

aim is to positively transform the consumers' lives and this may take some time but in the long run it proves to be effective.

On the side of operations some staff members may resign if transferred to other regions not to their liking since no negotiations can be made on some management decisions. If management does not put their foot down on some of the decisions made, it may encourage complacency among the staff. The challenges are affecting the firm in that if targets are not met then the operations are hindered and consequently the stakeholders and shareholders are not taken care of. The measures taken have been seen to work well because they are able to overcome the challenges faced by the staff members.

4.3.3 Organization Leadership and Strategy Implementation

The organizational leadership and culture in terms of its support for strategy implementation is very reliable. The bank has an open door policy. The management makes sure that all the staff members are shareholders. This is the Equity Staff Ownership Program (ESOP) and each member is therefore working for their own benefit too. Also free interaction between the management and staff is encouraged.

Another interviewee said that the leadership is amazing and supportive, and values the staff members. This enhances the performance from each member. There is direct communication between the staff members and the management and this can be done via emails or phones without any barriers. The culture is very warm, welcoming and friendly making the staff members have a sense of belonging.

The leadership is supportive and once requested for training materials or other requirements they are prompt to provide them and hence effective marketing, said another interviewee. Staff members from the head office have even been volunteered to help out at the branches in cases of marketing campaigns. The management is not reluctant in heeding to the requests of the staff. The management is fact to act in meeting the needs and requests of the staff members. The staff members once in a predicament are free to call the managers directly through their cell phones and get assistance promptly. The relationship between the management and staff is exemplary. The management is accessible at all times and this is really beneficial for the staff in cases of problematic or demanding customers, novel or unique situations or even fraud cases. Help is at hand at all times. Consumers also have free access to the management and this makes them feel valued as their problems are regarded seriously. The open door policy extends to the consumers as well.

On the side of operations, the interviewees said that the organizational leadership works well in supporting the strategy because they are involved in the implementation process.

Other comments made on the same are that the socio-economic prosperity of Africa is the vision of the bank and through the laid out strategies the bank is surely heading there. A replicate study can be done at a later time to make comparisons on the strategy implementation progress. The problem of staff turnover should be curbed as it is a major challenge. The changing economy is affecting strategy implementation as the bank interest rates are constantly changing to match the prevailing circumstances. Many

consumers are not aware of the effect of the economy and inflation on loans and other services offered by the bank.

Inflation has lead to hiked prices in most purchases therefore consumers are shying away from even taking loans. The staff members embrace new products and sell them to the consumers so there are no many instances of resistance to change. The management communicates effectively to the staff about all the new products. In any case most of these products have already been piloted so they are know to be beneficial to the consumers and can therefore be audaciously presented as such.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter addresses the research questions and objectives outlined in chapter one, that is to establish the challenges faced by Equity Bank, Machakos branch in strategy implementation and to find out the measures taken to counteract these challenges at Equity Bank, Machakos branch. It also covers the study limitations and suggestions for further research. Strategy implementation challenges are to be expected by all firms and it is vital to implement the strategies put in place in spite of the challenges present.

5.2 Summary

In accordance to the research done, the findings of the two objectives were similar to those stated in the literature review theory. Some of the factors found to impede implementation of strategies in this research were economic challenges, rapid bank growth, consumers unwilling to embrace new technologies and high staff turnover.

Likewise, measures taken to counteract these challenges were given and they included staff motivation, educating consumers and giving various trainings to further enlighten and empower them, as well as coming up with new innovations to provide better services. The challenges were exceptionally faced as they arose hence attaining the bank's objectives and goals.

5.3 Conclusion

The challenges faced by Equity Bank, Machakos branch emanate from both external and internal sources. Strategy implementation is in place at the Bank hence the outstanding results. The overall results show that the practices adopted by Equity Bank, Machakos Branch in its strategy implementation are quite elaborate and to a large extent effective. However, these practices have been to some extent affected by the challenges the organization is currently facing. The findings indicate that Equity Bank, Machakos branch is facing challenges associated with economic challenges, high employee turnover, rapid bank growth, inadequate staff and some consumers not willing to embrace new technologies.

It is evident from the study that the challenges mentioned affect Equity Bank, Machakos Branch's programmes in Kenya and the region and that they apply to other banks operating in Kenya and the region. The implication is that most of these banks are being faced with similar challenges. This can be attributed to the fact that they are operating in the same environment. It can therefore be concluded that like other banks, Equity Bank, Machakos branch is facing strategy implementation challenges.

5.4 Recommendations for Policy and Practice

Some recommendations for the study include examining other organizations to find out the challenges faced on their implementation of the stated strategies. This will go a long way in adding to the base of knowledge about strategy implementation which is usually harder to execute as compared to strategy formulation.

Another recommendation is to have the data for the research collected from non management staff and even the firm's consumers to get their points of view. With this information, the firm can make use of the unique ideas given and further enhance consumer satisfaction by putting into practice the suggestions given. In this way, both the firm and consumer will benefit.

Limitation of the Study

The major limitation faced in the undertaking of this study was time constraints. A research study of this type may possibly require a longer time period so as to gather as much information as needed from as many interviewees as possible.

The other limitation was on the part of the interviewees whereby they had a very busy schedule and thus finding time to respond to the interviews was tricky. Equity Bank, Machakos Branch being a very busy firm meant that most of the time the interviewees were busily involved in meeting the needs of the consumers.

Suggestions for Further Research

As a suggestion for further studies, the research can entail getting responses from all the staff members of the firm. This study may also involve other firms which are being outsourced by the firm being researched for the purpose of offering the required services. This will give rich data which can further enhance the knowledge base in this area of strategy implementation.

Another suggestion of a research study is that a replication of this same study can be done a few years down the line to investigate and analyze the effect of time passage. Challenges which are being faced by most firms now can prove to be null and void as the years advance. Also, some measures given to counter these challenges may in the future not apply as they now do. So a study of the same can give a good comparison later on and this information can be of help to many firms other than the banking industry.

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APPENDICES

Appendix 1: Interview Guide

Credit Department

1. What role do you play in Equity Bank's strategic planning?
2. Do you have documented financial strategies?
3. In order to achieve these strategies, what are the action plans that are executed?
4. Do you face any challenges in implementation of strategies?
5. How are these challenges affecting operations of the firm?
6. What are you doing to overcome or minimize these strategy implementation challenges?
7. How effective do you find these tactics employed to overcome these challenges?
8. How is the organizational leadership and culture in terms of its support for strategy implementation?
9. Please give any other comment you may have regarding the subject of this research.

Operations Department

1. What role do you play in Equity bank strategic planning?
2. Do you have documented system administration strategies?
3. In order to achieve the strategies mentioned, what are the action plans that are executed?
4. Do you face any challenges in implementation of strategies?
5. How are these challenges affecting operations of the firm?
6. What are you doing to overcome or minimize these strategy implementation challenges?

7. How effective do you find these tactics employed to overcome these challenges?
8. What will you comment on the overall organizational culture in terms of its support for strategy implementation?
9. Please give any other comment you may have regarding the subject of this research.

Appendix 2: Introduction Letter