

**CHALLENGES OF STRATEGY IMPLEMENTATION AT FIRST
COMMUNITY BANK, KENYA**

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DECLARATION

I, the undersigned, do declare that this is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

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This is to declare that this project has been submitted for examination with our approval as the University Supervisor.

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ABSTRACT

This study concentrated on the challenges of strategy of strategy implementation at First Community Bank (FCB). Most organizations fail not because they had a bad strategy but how the strategy was executed. The process of strategy implementation faces many challenges leading to most organizations failing to successfully implement their strategies. The objective of this study is to establish the strategies implemented by FCB, to determine the challenges encountered and to establish measures taken by FCB to deal with the challenges. This was a case study and data was collected from senior staff of the bank through an interview guide. The data obtained from the interview guide was analyzed using qualitative analysis.

The study aimed at determining the challenges faced by First Community bank as a fully fledged Islamic bank in Kenya. In doing so, the study identified the various strategies in which the organization has put in place in order to remain competitive in an uncertain market it is operating in consideration of the many challenges it is facing.

The findings of the study suggest that the organization had developed strategies which were geared towards accomplishment of the organization objectives. The study established that the bank has undertaken a series of strategies in aiming at fulfilling its objectives in continuously responding to challenges encountered in implementing these strategies. The organization has also realized that to achieve their objectives and also be competitive enough, they need well equipped workforce. Toward this end, the bank has continued training their staff in Islamic banking concept to be well equipped in

understanding the concepts in Islamic banking. The study is helpful to First community Bank as they review both short and long-term strategies. The study should be of importance to other commercial banks and financial institutions whose responsibilities include strategy formulation and implementation.

The study revealed various challenges. The challenges ranged from lack of awareness of the existence of the product, no much differentiation among the products within Islamic banking, difficult in changing the perception of the customers, practitioners, and regulators in understanding Islamic concepts, lack of proper infrastructure available in location areas where banks operate, shortage of trained staff about Islamic banking and staff not having adequate knowledge about Islamic banking. All these challenges were overcome through proactive managerial interventions. Most of the recommendations included in this report are not simply external prescriptions. This is because some were proposed by interviewees in the course of data collection. If these are transformed into action plans with proper time lines and performance measures, management could positively transform the situation to a positive direction necessary for improving the strategic management practice in the bank.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Many organizations are faced with many challenges at the strategy implementation stage. After formulation, strategies need to be implemented otherwise they are useless to the organization if they are not translated into action. Strategy formulation and implementation is a cyclic process with a strong bearing of the organization's learning capabilities. The organization needs to continuously evaluate its success in implementing the particular strategies that it formulates. It is upon the particular organization to identify implementation challenges and come up with mechanisms for overcoming them.

1.1.1 Strategy Implementation

According to Pearce & Robinson (2007) implementing and executing strategy is an operation driven activity revolving around the management of people and business processes. Pearce and Robinson (1998) cited out that it is important for an organization to understand and adjust to their environments if they have to achieve their goals and objectives. Few strategies are implemented in their entirety in which they were formulated. Part of the strategy may be therefore recognizing the patterns that seem to have led to success even if these patterns arose by chance rather than as result of planned actions. Pearce and Robinson (1991) also cited that the firm's primary structure, organization leadership organization culture and ultimately individual organization member particular key managers as being important determinants for successful strategy

implementation. It is important to establish the right match between strategy and trends in a firm's environment.

According to Tan (2004) it is possible that new strategies are being implemented without a clear understanding of the elements that affect the implementation process. Although managers may assume that their implementation has been successful, frontline staff may encounter various issues which have not been taken into consideration before the implementation which may only appear in the long run. This would cause undesirable consequences to the organization, whether they are of little or great impact. Rowe (2008) advocates that to implement a strategy is to change an organization or its processes of thinking, its process of structure and its process of culture. Implementing a strategy is a change process. So to implement a strategy we need to change our thinking or change our culture or change our structure or some combination of them as they are inextricably linked and separated here only for the purposes of explanation.

According to Ngala (2010) the problem of strategy implementation relates to situations and processes that are unique to a particular organization or industry even though some problems may be common to all organizations. Strategy Implementation is a changing process that brings real challenges for many organizations which may include: change in our thinking, changes in our culture or changes in our structure or some combination of them. The implementation of strategy is not the direct outcome of thinking one up. The corporation can develop a most brilliant strategy ever produced and they can communicate it to an organization so elegantly that it is received with rapture but that won't ensure anybody will 'do it' (Rowe, 2008).

Zulfiqar (2010) stresses the importance of separating strategy implementation from strategy execution that helps the executive management to understand which matters senior managers should be dealing with and which matters they should be delegating to operational managers. In addition, they need to understand what risks are strategic, what risks are operational, what are the complexities involved in the process of expansion and who is to manage them. Nixon (2010) acknowledged the fact that a strategy may be good, but if its implementation is poor, the strategic objective for which it was intended may not be achieved. It is therefore important for organizations to establish a clear link between strategy formulation and strategy implementation. The process of strategy implementation is one that calls for intense, persistent and dedicated effort in the context of close collaboration between a company personnel and any external consultant involved.

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. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests. As at June 30, 2010, the Kenyan banking sector comprised 43 commercial banks, 1 mortgage finance company and 127 foreign exchange bureaus. The sector

witnessed an increase in the branch network from 930 branches in June 2009 to 1,017 in June 2010 representing a growth of 9.4 percent.

The CBK continued to foster support for financial access and financial inclusion as a regulator of the banking sector and in partnership with other regulators in the financial sector both at the national and regional levels. In this regard, the regulatory environment was strengthened, new institutions created and new initiatives to improve financial access were adopted. Kenya has experienced a tremendous growth in banking industry over the last decade while more and more foreign banks invest in the country. The banking sector continued to reap the benefits of enhanced competition among banking institutions. In particular, the stiff competition resulted in new innovative products in the market, flexible banking hours, wider reach in terms of delivery of banking services and competitive pricing of banking services. For these reasons, banking industry is experiencing radical changes and high growth in the present day market. It has to offer a wide range of products to suit the varied needs of individual customers, who have been considered as master key of the modern business success. All major players are trying to capture the market to acquire more in less time. The perceived sustainability and attractiveness of Islamic finance as an alternative financial management model in a post global financial crisis continues to flourish in new regions and countries trying to change banking regulations and laws to facilitate the introduction of such institutions and products in their respective jurisdictions (www.EastAfricacatching0withIslamicfinance).

According to CBK the Islamic finance sector has a lot of potential in spearheading the growth of the financial industry. CBK faces certain challenges in Islamic finance as the system prohibits interest acquisition and allows for profits sharing which is not provided for in regular banking. The main challenges facing the Banking sector today include; new regulations; for instance, the Finance Act 2008, which took effect on 1 January 2009 requires banks and mortgage firms to build a minimum core capital of Kenya shillings one billion by December 2012. This requirement, as hoped, will help transform small banks into more stable organizations. The implementation of this requirement poses a challenge to some of the existing banks and they may be forced to merge in order to comply (www.centralbank.go.ke).

1.1.3 First Community Bank, Kenya

First Community Bank is the first Bank approved by the Central Bank of Kenya (CBK) under Cap 488 of the Banking Act to operate as a full-fledged Sharia Compliant banking institution. The bank received its formal approval from the Central Bank of Kenya on 29th May 2007 thereby opening the door for Sharia compliant banking not only in Kenya but indeed in the entire East and Central African region. All branches are located strategically in different towns within the country. Currently it has 18 branches which are: Moyale, Mandera, Wajir, Hebaswein, Garissa, Malindi, Msalani, Kisumu, Nakuru, two in Mombasa and seven in Nairobi. Certainly, the benefits to the clients from this aggressive branch expansion program were an overwhelming value in terms of service delivery and overall networking perspectives.

The bank is owned by a diverse base of community businessmen and professionals from Kenya and Tanzania. The bank commenced official operations on 1st June 2008. As a committed Kenyan bank, FCB's motive is to take its alternative form of banking to as many places as possible within the country. Regionally, they have put into place mid-term plans to establish operations in other East African financial centers where they believe there is sufficient demand for Sharia Compliant financial services. As a Pioneer of Sharia Compliant banking institution, with addition to its core banking business, it is also in the final stages of bringing to Kenya a number of other innovative Sharia Compliant products. These include; Islamic Insurance (Takaful), Islamic Bonds (Sukuk) and Sharia Compliant Mutual Funds and Shares trading. All their products and services are offered on fully Sharia Compliant basis as approved by the Sharia Advisory Board which comprises of prominent Islamic scholars both from inside and outside Kenya.

The Capital Markets Authority of Kenya (CMA) has recently granted approval to FCB Capital Investment Bank as Kenya's first Islamic investment bank. At the same time, the government of Kenya is studying the possibility of issuing the country's debut sovereign Sukuk issuance. FCB has also launched FCB Capital which plans to issue a series of local currency Sukuk plus other Islamic capital market products for a growing market segment. Takaful Insurance of Africa has been licensed and launched in Nairobi and is backed by the Cooperative Insurance Company of Kenya. The launch of Takaful Insurance of Africa follows on from the granting of two Islamic banking licenses to Kenyan authorities in 2007 to Gulf African Bank and First Community Bank (www.firstcommunitybank.co.ke).

1.2 Research Problem

This is where strategy is put in action so that the benefit can be reaped. Implementing strategy is not easy for many organizations that if not dealt with properly, can lead to implementation failure. Many times strategy implementer faces challenges but may not know what the source of these challenges are. Challenges in strategy implementation can arise from many sources: resistance to change, inadequate resources, ineffective communication, and inappropriate system, structure, culture, leadership, policies, support and reward. Knowing the cause can help to come up with approach to overcome challenges to facilitate strategy implementation. The biggest mistake which most organizations do is to separate strategy formulation and implementation process to be done by different people. In view of this, there is a need to increase research on areas of strategic implementation in organizations. Once a strategy is developed, it must be implemented and without proper implementation, the strategy will not attain its intended objective.

A lot of studies have been carried out on strategy implementation and its challenges by among others. Ngala (2010) studied challenges of strategy implementation at I & M Bank Ltd, Nyakundi (2010) studied strategy implementation and its challenges at Citibank N.A. Kenya. The context and concepts in which the above studies have been carried out differs, none of the above focused on strategy implementation in Sharia Compliant banking thus giving justification for the same study area. The motive for undertaking this research is to add to the known literature that the strategy implementation still remains a challenge for organizations irrespective of being a sharia compliant bank.

The banking industry has witnessed tremendous changes which is brought about by globalization, liberalization, shorter product life cycle, intensified competition among rivals, changing new regulatory provisions and prudential guidelines, new technology, more demanding consumers and the introduction of Islamic banking and finance as a system which prohibits interest acquisition and allows for profits sharing which is not provided for in regular banking. These changes require appropriate strategy implementation. In view of this, questions that arise are: what are the strategies implemented in First Community Bank? What are the challenges that First Community Bank faces? How do they respond to these challenges?

1.3 Research Objectives

- i. To establish the strategies First Community Bank has implemented.
- ii. To determine the challenges of strategy implementation at First Community Bank, Kenya.
- iii. To establish measures taken by First Community Bank in Kenya to deal with challenges of strategy implementation.

1.4 Importance of the Study

This study will provide direction and solutions to managers and board of directors of FCB and other commercial and Sharia compliant banks in Kenya with information on the general challenges faced during strategy implementation and how to overcome and cope with the challenges.

The result of the study would be important to the scholars, academicians and researchers in investigating the influence of context, validating previous research, facilitating theory building and contributing to the exiting body of knowledge in the area of strategic management and strategy implementation. The study can also be a source of reference material for future reference to those academicians who undertake the same topic in their studies.

This study will also be important to Central Bank of Kenya's regulator who are currently facing certain challenges in implementing Sharia system in Kenya banking regulation by coming up with banking policies which will incorporate both Islamic and non Islamic Sharia system.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

The word 'strategy' has entered in the field of management from the military services. In ancient Greek 'stratos' was the term for the army and so in military terms, 'strategy' referred to 'the act of the general' which is to say the psychological and behavioral skills of employing forces to overcome the opposition and to create a unified system of global governance. This is some sort of future plan of action, undertaken by senior management at a high level of abstraction (Ritson, 2008). It also refers to applying the forces against an enemy to win a war.

According to Johnson & Scholes (1999) strategy is the direction and scope of an organization over a long-term which achieves advantage for the organization through the configuration of resources within a changing environment to achieving the objective of meeting the needs of markets and to fulfill stakeholders' expectations. Quinn (1980) believes that the strategic process which allows for strategies to emerge, allows organizations to respond more effectively to the changes in the environment. Managers need to take into consideration the situation of change for the organization. As the environment and market conditions changes with time, organizations need to formulate new strategies for it to remain competitive.

Pearce & Robinson (1991) define a strategy as a set of decision and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. He states that a strategy is a game plan which result in future oriented plans interacting

with the competitive environment to achieve the company's objectives. This means in order to formulate suitable strategies, top management must consider all aspects of dynamic environments and understand the needs to take the future into account and establish capable strategy to deal with the change that are taking place in the environment to meet company's objective.

Pearce & Robinson (2002) point out that, strategy implementation is not only affected by environmental forces and resources availability but also by the values and expectations of those who have power in and around the organization. In some respects, strategy can be thought of as a reflection of the attitudes and beliefs of those who have most influence on the organization. Successful strategy implementation requires the input and cooperation of all players in the company; it requires linkage in two dimensions both vertical and horizontal. Vertical linkages are those tying together the organization from top to bottom, from corporate to division to department (Sterling, 2003).

Mintzberg (1987) defines strategy with a variety of views; as a plan, ploy, pattern, position and finally as a perspective. Strategy as plan, it's some sort of consciously intended course of action, a guideline to deal with a situation. It deals with how leaders try to establish direction for organizations, while as ploy it takes us to the realm of direct competition; maneuver intended to outwit an opponent or competitor to gain competitive advantage. As a pattern strategy focuses on a stream action that is consistent in behavior and is a key to achieving organizational goals. Strategy as a position encourages

organizations in their competitive environments in order to protect, avoid or subvert competition. Strategy as a perspective is an ingrained way of perceiving the world.

Michael et al (1993, cited in Sheila, 2008) define strategy that 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. This means that 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.

2.2 Factors in Strategy Implementation

The implementation of organization strategy involves the application of the management process to obtain the desired results. According to Pearson and Robinson (2002) the purpose of implementation is ensuring that the planned results of the strategic decisions are realized. Implementation involves several tasks doing what must be done to make the strategy successful. It is here that strategy is activated to achieve the organization objectives. Two elements that are fundamental in strategy implementation process are institutionalizing and operationalizing the strategy. To be effective, strategy implementation must be integrated and coordinated. Depending on how much consensus building, motivating and organizational change is involved; the implementation process can take several months to years (Shimechero, 2008).

Particularly, strategy implementation includes, creating and designing an effective organization's structure, allocating resources, developing information and decision

process, and developing strategy supportive culture, redirecting marketing efforts, preparing budgets, developing and utilizing information system and managing human resources, including such areas as the reward system, approaches to leadership, and staffing linking employee compensation to organizational performance. Effective implementation requires continual monitoring – of progress in implementing the plan, of the competitive environment, of customers' satisfaction, and of the financial returns generated by the strategy (Sterling, 2003).

The 7-S Framework is a management model that describes seven factors in which to organize an organization; it determines the way in which the organization operates these include organization structure, shared values, style, control system, staff, skills, and strategy. These factors are interdependent and if one of them is neglected, it will have a knock on effect and may affect the other six factors; this is also what system theory proclaims. The McKinsey 7-S Framework captures both the internal and external environment and also gives specificity to variables of strategy. It implies that while some models of organizational effectiveness have gone in and out of fashion, one that has persisted is the McKinsey 7-S Framework (Rensburg, 2008).

An organization structure affects and reflects its strategic planning goals and its focus. The structural design of an organization helps people pull together activities that promote effective strategy implementation. Schaap (2006) suggests that adjusting organizational structure according to perfect strategy can ensure successful strategy implementation. Olson et al (2005, cited in Yang et al, 2008) identify a taxonomy comprised of four

different combinations of structure/behavior types, which he labels as: management dominant, customer-centric innovators, customer-centric cost controllers and middle ground. These alternative structure/behavior types are then matched with specific business strategies that are Prospectors, Analyzers, Low Cost Defenders, and Differentiated Defenders in order to identify which combination (s) of structures and behaviors best serve to facilitate the process of implementing a specific strategy.

According to Rensburg (2008) shared values are the core of the organization, the guiding principles, and the fundamental ideas around which an organization is built. The corporate culture creates and, in turn, is created by the quality of the internal environment; consequently, culture determines the extent of cooperation, degree of dedication, and depth of strategic thinking within an organization. Marginson (2002) argues that strategy implementation evolves either from the process of winning a group commitment through a coalitional form of decision-making, or as a result of complete coalitional involvement of implementation staff through a strong corporate culture.

Pearce and Robinson (2007) defines organizational leadership as the process and practices by key executives of guiding and shepherding people in an organization toward a vision over time and developing that organization's future leadership and organizational culture. They further state that the leadership challenges are to galvanize commitment among people to embrace change and implement strategies to ensure that the organization succeeds in a vastly different future. Mintzberg and Quinn (1991) suggest that the role of personal leadership is important and sometimes decisive in the accomplishment of

strategy. In today's business world, strategy implementation is inseparable from effective leadership and communication with the company. Alexander (1985) points out that communication is mentioned more frequently than any other single item promoting successful strategy implementation. The content of such communications includes clearly explaining what new responsibilities, tasks and duties need to be performed by the affected employees. It also includes the why behind changed job activities, and more fundamentally the reasons why the new strategic decision was made firstly.

Yang et al (2008) suggests that strategy implementation perspective demands systems with criteria different from those of conventional systems. How well the system can monitor and track the implementation process should be the center of interest. In the past, implementation-related activities were tracked manually or launched on an ad hoc basis so that there was a lack in mandatory installed business processes.

According to Raps (2004) human resources represent a valuable intangible asset and human resources are progressively are progressively becoming the key success factors within strategy implementation. This will include the level of performance as part which will influence their attitude though motivation. Pearce and Robinson (1991) suggest that the execution of strategy ultimately depends on individual organizational members, particularly key managers. In addition, motivating and rewarding good performance by individuals and organizational units are key ingredients in effective strategy implementation. If strategy accomplishment is a top priority, then the reward system must be clearly and tightly linked to strategic performance.

The knowledge, skill and experience of people can be the key factors enabling the successful implementation of strategies. Bonoma (1984) suggests that successful implementation of strategies requires four basic types of execution skills: Interacting skills are expressed in managing one's own and others' behavior to achieve objectives. Allocating skills are brought to bear in managers' abilities to schedule tasks and budget time, money, and other resources efficiently. Monitoring skills involve the efficient use of information to correct any problems that arise in the process of implementation.

According to Pettinger (2004, cited in Rensburg, 2008) the success of any strategy is on how it is implemented on one hand and on the other hand the attainment of “fit” between the strategies, how the firm is organized and managed. The most important “fit” is between the strategy and organizational capabilities, strategy and rewards structures, strategy and internal support systems, and between strategy and organizational culture. Fundamentally, good strategy should distinguish the company from others in ways that make a difference to customers. Porter (1996) encourages CEOs to take three simple steps in developing a distinctive strategy in order to understand the company’s genuine strengths (particularly those that span multiple functions), examine the marketplace to understand what market positions are (or may be) unoccupied, focus the company’s strategies on bringing its variable strengths to bear in capturing those unoccupied strategic position.

2.3 Challenges of Strategy Implementation

According to the White Paper of Strategy Implementation of Chinese Corporations in 2006, strategy implementation has become “the most significant management challenge which all kinds of corporations face at the moment”. The survey reported in that white paper indicates that 83 percent of the surveyed companies failed to implement their strategy smoothly, and only 17 percent felt that they had a consistent strategy implementation process. The key challenge for today’s organizations are many (soft, hard and mixed) and the factors that influence the success of strategy implementation, rang from the people who communicate or implement the strategy to the systems to the mechanisms in place for co-ordination and control (Yang et al, 2008). Among the challenges discussed below are: strategy formulation, organization structure, organization culture, changing environment, operation planning, poor communication, resource allocation, and poor execution.

Strategy formulation is an integral part of the overall strategic management process. According to Tan (2004) strategy implementation stage is the realization process of the strategy that has been developed in the formulation stage. Therefore, if the formulation stage is not done well, it will have a direct impact on the implementation stage, potentially becoming a challenge to implementation. He identifies themes that can potential be a challenge; poor understanding of the strategy, strategies being too complex, unrealistic expectation place on the implementation team and lack of commitment or buy in to strategy. There is also a tendency of having two groups’ people for formulation and implementation. Hence, most of the people in the organization who are crucial to

successful strategy implementation probably had little, if anything, to do with the development of the strategy. Therefore, there is possibility that they are completely unaware of the effort and information that went into the formulation process (Al-Ghamdi 2005).

According to Raps (2004) strategy implementation processes frequently results in problems if the assignments of responsibilities are unclear. Who's responsible for what? To add to this problem, responsibilities are diffused through numerous organizational units that tend to think in only their own department structures. That's why cross-functional relations are critical to an implementation effort. Bureaucracy makes this situation even more challenging and can make the whole implementation a disaster.

Raps (2004) suggests that the top management's principal challenge in the cultural context is to set the culture's tone, pace, and character to see that it's conducive to the strategic changes that the executives are charged with implementing. When implementing strategy, the most important facet is top management's lack of commitment to the strategic direction itself. In fact, this commitment is a prerequisite for strategy implementation, so top managers have to show their dedication to the effort. Another challenge is the assumption made by top management. Senior executives must not assume that lower-level managers have the same perceptions of the strategic plan and its implementation, its underlying rationale, and its urgency. Instead, they must assume they don't, so the executives must persuade employees of the validity of their ideas.

Thompson (1993) observes that many organizations compete in uncertain, dynamic and turbulent environment where change pressures are continuous and changing. New opportunities and threats appear at short notice and require a speedy response. This dynamism is a real challenge to strategy implementation. Hence, if there are significant changes in the environment, an organization needs to react to these changes or may find that the strategies that they want to implement may no longer be viable for the organization. This in itself makes environment uncertainty a possible barrier to strategy implementation.

Operational planning are set of actions is usually concerned with addressing sequence of activities, allocation of resources and scheduling of work required for the implementation process. Johnson and Scholes (1999) point out the assumption that top management can plan strategy implementation at the top then cascade down through the organization is not tenable. It should be argued on how top management conceives strategies as not the same as how those lower down in the organization conceive them. Top managers often complain that their middle or operating managers lack the ability to implement strategies successfully. More often than not it is not the abilities of the managers; it is more likely to be a problem of poor middle management understanding and commitment to the strategy (Tan, 2004).

According to Raps (2004) Communication is a key success factor within strategy implementation. A common source of communication problems in implementation is that divergent functional perspectives may not be aligned with the overall strategy. Unless

these issues are addressed, each area may interpret the plan with a lens of "How does my area win?" rather than "How does the organization win?". According to Noble (1999) the consensus about a company's strategy may differ across levels: If members of the organization are not aware of the same information, or if information passes through different layers in an organization, a lower level of consensus may result. This lack of shared understanding may create obstacles to successful strategy implementation.

The availability of resources, in terms of staff, skills, knowledge, finance and time, is thought to be a crucial part of strategy implementation. Many executives underestimate the amount of time needed and don't have a clearly focused view of the complexities involved when implementing strategies. Basically, it's difficult enough to identify the necessary implementation steps and even more difficult to estimate an appropriate time frame, so you have to determine the time-intense activities and harmonize them with the time capacity. Hussey (1988) argues that, it is imperative to ensure that the people who carry out the action have the skills and knowledge. Lack of adequate skills, knowledge and capabilities to implement the strategy can be an issue if the employees have incomplete understanding of the concepts they are trying to implement.

Human resource management plays an important role in strategy implementation and sometime strategy formulation. Major reasons why strategy implementation efforts failed is that people were conspicuously absent from strategic planning. Lack of understanding on how the strategy should be implemented is also one of critical challenge faced by organization. Although managers may assume that their implementation has been successful, frontline staff may encounter various issues which have been taken into

consideration before the implementation phase. Furthermore, the problems that arise from unsuccessful implementation may only appear in the long run. This would cause undesirable consequences to the organization, whether they are of little or great impact (Sterling, 2003).

Strategy execution is less glamorous than strategy formulation. People overlook it because of a belief that anyone can do it, people are not exactly sure what it includes and where it begins and ends (Alexander, 1991 cited in Mwangi, 2008). Good execution cannot overcome the shortcomings of a bad strategy or a poor strategic planning effort (Hrebiniak, 2006 cited in Yang et al, 2008). According to Tan (2004) 90% of well-formulated strategies fail due to poor execution. Why is strategy execution so hard? The answer lies in the way the nature of business has changed in the past 30 years. And referring to the shift from value based in tangible assets to value based in intangible assets, he points out that back in 1980s, most of the market value of companies could be attributed to tangible assets, and as time went by, more and more knowledge-based economy and services-oriented companies appears and changed the ratio to a further shift that most of the market value can be attributed to intangible assets. And such moves make the whole” measuring the performance” part even more difficult, and therefore, so is the management within the implementation process of the overall strategy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was conducted through a case study. The case study served as a useful means of revealing an in-depth and extensive description of the topic under investigation. It puts more emphasis on a full contextual analysis of fewer events or conditions and their interrelation. The case study was aimed at getting detailed information and understanding of how First Community Bank has managed its strategy implementation process, the challenges experienced and how they overcome or minimize them.

Babbie (2004, cited in Vergert, 2010) defines a case study as an in-depth examination of a single instance of some social phenomenon. In this case the phenomenon that is studied is the First Community Bank. One of the main advantages of a case study is that it provides a good understanding of a certain phenomenon. Therefore a case study is a reliable instrument to inquire a certain phenomenon. The study will select five respondents which include Chief Executive and Heads of Departments.

3.2 Data Collection

The study used primary data. An interview guide was used through face to face interview to collect data. The interview guides had been preferred over other methods of collecting data because of their capability to extract information from the respondents as well as giving the researcher a better understanding and more insightful interpretation of the results from the study. Primary data was collected by interview guide which had open

ended question. The advantage of open ended questions was that they allow respondents to express their feelings and thought especially when complex issues are being studied. They thus offer more details and more information in areas that might not have been foreseen by the researcher.

The interviewees in this study consisted of five members since the topic under consideration relates to challenges of strategy implementation. Interviewees consisted of sections heads who include: the CEO, head of finance, head of business development, head of human resource and head of operation. The reason of choosing few interviewees was to make it easier to get adequate and accurate information necessary for the research.

3.3 Data Analysis

The content analysis was used to analyze the interviewees view about the challenges of strategy implementations of First Community Bank. This technique was used as a set of categorization for making valid and replicable inferences from data to their context. The information from various interviewees was evaluated and documented as findings for this study. The responses in the open ended questions were grouped into categories which were mutually exclusive and exhaustive.

The researchers studied each question separately from all the interviewees; this enabled her to get a clear idea about the total responses of subjects to certain issues. The qualitative method was used to understand the topic under study. The method is suitable as it does not limit interviewees on the responses and can generate more information to meet the objectives of the study.

CHAPTER FOUR: ANALYSIS, INTERPRETATION & DISCUSSION

4.1 Introduction

This chapter presents the findings of the data collected and interpreted on the challenges of strategy implantation at First Community Bank. It analyzes the data and present results on the basis of the objective set at the beginning of the study. Where closed ended questions were used for data collection, the responses were analyzed qualitatively. The interviewees in this study were drawn from various departments at First Community Bank to ensure that this is a clear review of strategy implementation and to give more than one perspective of the study. Five interviewees were interviewed using interview guide to get responses. The interviewees were CEO, Head of Finance, Head of Business Development, Head of Human Resource and Head of Operation. The implication of the study is that various responses from different department can adequately explore all the expected responses from entire bank.

This study is sought to obtain information on the three main objectives: to establish the strategies First Community Bank has implemented, to determine the challenges of strategy implementation at First Community Bank, Kenya and to establish measures taken by First Community Bank in Kenya to deal with challenges of strategy implementation. Each strategy is organized in term of its challenges and strategy response taken by the bank to overcome the challenges.

4.2 Findings

4.2.1 Product

In my interview with First Community Bank heads of department, the interviewees identified the marketing strategies used by the bank. They mentioned that the bank focuses on products and services that are more attractive compared to their competitors. They mentioned two product strategies Musharaka (equity participation) and Murabaha (Cost plus). They went ahead and explained to me the meaning of the term of their products: Musharaka is similar to a joint venture in which the bank and an agent jointly invest in some project. They said the party agrees on some prearranged profits and losses, while Murabaha transaction is basically a cost plus profit financing transaction in which a tangible asset is purchased by the bank at the request of its customer from a supplier. The bank then sells this asset to its customer on a deferred sales basis with a mark-up that is bank's profit.

The interviewees also mentioned differentiation strategy adopted by the bank. They said that there has always been a great demand from agricultural customers to have Islamic financing products for agriculture sector. With this in mind, FCB started to focus and created products to suit this need. According to Michael Porter, differentiation is the winning strategy to compete in the market. Customers will buy the brand if it is different and low price and it will give the company a competitive edge over its competitors.

They said that the existing challenges facing FCB was lack of awareness about Islamic finance and Islamic banking products among the customers and within the community.

They also mention another challenge as there is no much differentiation among the products within Islamic banking; however their products are slightly different from the conventional banks. But as now conventional banks are also opening Islamic windows, that's why product differentiation is very less. Consistent with Kotler (1999) Products are not differentiated among the Islamic banks, that's why people can easily switch to other brands on the basis of low prices and this creates intense competition. The interviewees indicated that they are trying to respond by promoting the sector just by using the name of religion and knowing that many people are interested in dealing with Islamic banks because of prohibition of interest in Islam. They went ahead and gave few example of Islamic terminology in promoting its products to customers. For example, Arabic word such as Qard Hassan (a free loan) Mudaraba (Trustee profit sharia) Lulu, Busara, Sahlah and Labbeyk (Hajj & Umra) which they used in labeling various deposit facilities. Consistent with Anwar (2007), he said that 10-15 % of customers that are dealing with Islamic banks are new to banking and who are trying to stay away from conventional banking because of the religion as conventional banking is based on interest based contracts. Though, they also realized that a great number of their customers choose their banking services on the basis of customer services, quality and profitability and that's why they are running a proper media campaign so as to bring awareness to the consumers about their services and products on the basis of competitiveness.

4.2.2 Penetration

The interviewees mentioned penetration strategy as a pricing strategy tool used by the bank. The bank targets different segment and sectors in the market. They gave an example of Lulu account targeting female population which has been ignored by other financial institutions. Initially FCB was one of the banks to introduce such a product that focused on specific targeting women and was one of the major accounts that brought in most revenue to the bank. The main challenge was lack of awareness of the existence of the product to women. The bank approach was by doing personal selling, promotion and advertising through Islamic radio media. They also gave an example of channel used radio Iqra, radio Salam and radio Rahma were most women all over Kenya listen to those channels.

4.2.3 Promotion

The interviewees talked about their promotion strategy and their betterment to their society. They said the bank started investing in projects through which people get more benefits and employments. They said the bank started to work with Youth Enterprise Development fund to address the economic empowerment of the youth through enterprise development and strategic partnership. They said there main challenge encountered was to make sure that financing support is available for the funds to reach Muslims youth in the country in a shariah compliant manner. The bank responded through ‘Youth Advantage’ program in the country informing the youth on how to benefit from the funds. Other promotion strategy which was mentioned by head of business was the use of Personal selling, advertising, sales promotion, publicity and public relation. Their main

challenge was to keep their promotional strategies to be in line with those of conventional banks as well as to comply with Islamic Shariah principles.

4.2.4 Distribution

Interviewees mentioned about the distribution strategy they have adopted in terms of location of their branches. They said that the branches have been strategically located in different towns within the country. Currently it has 18 branches which are in: Moyale, Mandera, Wajir, Hebaswein, Garissa, Malindi, Msalani, Kisumu, Nakuru, two in Mombasa and seven in Nairobi. Because banks are mostly situated in the urban areas they described that as there is a great potential available for Islamic banks in the rural areas and small towns.

The main challenge they mentioned was lack of proper infrastructure available in these location areas. They said that there are insufficient telephone lines in these locations, lack of Information Technology for facilitating the work of their staff and frequent power supply failure which was another major problem. They also said that there was no adequate security for online transactions and also very few people are using internet. The approach they used in dealing with infrastructure issues was to invest significantly in technology connecting all the branches by adopting technology from Kenya data services and broadband. Then they also went ahead and chose Path Solutions' known as iMAL System to bolster the entire IT infrastructure and contribute in upgrading their business performance. They said the solution also allows them to launch new distinguished products and services to their clients using the latest modern technologies.

4.2.5 Alternative to Conventional Bank

From the interviewees, it was established that the main strategy for first community bank as an Islamic bank in Kenya was to give alternative to conventional bank. They mentioned that the growth of FCB was been driven by the needs of Muslims customers seeking to borrow and invest in accordance with their personal beliefs. However, the head of business mentioned that the challenge was that the products were initially not as competitive as their conventional equivalents, in terms of both pricing and service offerings. He said that this was due to lack of supervisory framework in product development and in terms of system in all area such as fund management, investment policies, market development and products development and in information system.

The interviewees indicated that aligning processes to exceed customer expectations was a serious challenge for FCB because the processes not only need to be Islamic compliant, but additional steps such as getting Shariah approval would often delay the processes. Moreover, they also said that the ability to consistently regulate banking operations and systematically handling various Shariah board interpretations was also are challenge to their day to day operation. Interviewees also felt that there was a tendency of conventional banks opening Islamic windows in order to meet the requirements of the consumers and to retain their customers was another challenge faced by FCB. They claim that conventional banks are opening new Islamic windows in their existing banks as it is easy for them to enter in this industry because they have already big setups to sell their products. They said that these banks also have the ability to utilize funds (Large capital base) in order to market these products by giving high salaries to new employees,

offering attractive profit rates to customers and also train those interested in product development in order to meet the needs of the market. Other challenges pointed out by the interviewees includes lack of Interest-free Financial Instruments in Kenya supporting Islamic banking in the country, Insufficient legal protection governed by the Companies Act in Kenya banking industry of Controlling and Supervision basis of Islamic Shariah by Central Bank of Kenya because all banking and financial rules and regulations are established in favor of conventional banking practices.

The head of finance mentioned that there exists a lack of Unified Shariah Rulings in both Conventional and Islamic banking operating in the country and failure of the bank to Finance High Return Projects was a major setback because conventional banking has long established severe competition in the financial sector, contributing to the economic slowdown of many countries today and political instabilities. He mentioned that the underlying issue here is that there are a certain macro-environmental factors which are not easy to control. The banks approached the challenge by engaging itself in competition with conventional bank with an aim of improving quality, lowering prices and earning fairly which was the main essence of competition to businesses.

4.2.6 Optimal number of staff

From the interviewees it was establish that the bank has a strategy of having optimal number of staff in the organization and not replacing staff that leaves the organization. The main challenge was getting the right people for the job and ability to multi-task. They also mentioned lack of resources to pay staff as part of good remuneration package and shortage of trained staff about Islamic banking and staff not having adequate

knowledge about Islamic banking and most of them having their educational and training background in conventional banking sector. They said even some of the key staff have not yet fully grasp the principles of Islamic banking and finance, leading to costly blunders. Although Kenya is considered as part of the Islamic industry, but people with good Islamic knowledge are very few. Consistent with Alexander (1985) he suggests that there are many problems which over half of the corporations experience frequently, such as the involved employees have insufficient capabilities to perform their jobs, lower-level employees are inadequately trained, and departmental managers provide inadequate leadership and direction. These three are the most frequent strategy implementation problems in relation to human resource.

The bank responded by opening of Islamic Finance Training Centre (IFTC) at the bank's South C branch in Nairobi. They said that the Centre enlists a number of committed trainers comprising largely of seasoned bankers who were entrusted to impart knowledge as appropriate through expertise, career experiences and a thorough understanding of commercial and corporate complexities. They went ahead and explain the aim of opening the center was to develop accomplished professionals in the field of Islamic banking and finance to enable their staff to serve the organization well and to contribute to the overall economic well-being of the bank and nation. They also mentioned that the Centre also aims to make an overall advancement to the cause of Islamic Banking and Finance by imparting appropriate knowledge and providing consultancy works for all those who may be interested in such services whether from inside or outside the country .

4.2.7 Shariah Board Committee

Another strategy mentioned by the interviewees is by having “Shariah” board committee in the facility approval process by which every transaction of Islamic banking is approved. They said that the Shariah board members are qualified individuals who have knowledge of Islamic law and economics that understand the Islamic principles of conducting the right and ethical practices. They further explain that the committee ensures that the bank is in line with Shariah in regards to developing the products and services, facility applications and ethics at workplace. Moreover, they are the guiding team who establish the right co-ordination that makes First community Bank a fully pledged Shariah compliant institution.

The main challenge mentioned is most Scholars in the Shariah board committee have good knowledge of Islamic teaching and laws but some are lacking behind in the field of banking knowledge. They said that this undermines their ability because there is no any standards that guide them to the clear picture of creation of banks products and services hence the scholars have to involve themselves in extensive research to understand the banking affects the ability of the banks to implement Islamic products and services. In responding to the above they said the bank conducted training session and workshops organized to overcome this problem. They also said that while various bodies are formed to address the creation of a coherent set of Islamic banking standards, the emergence of a clear standard will clearly aid in creating standardized systems that cater to the larger masses of banks and their customers looking for a truly Islamic bank to deal with, free from fear of any dilution of their belief sets.

4.2.8 Balance Scorecard

From the interviewees it was established that the bank has just introduced Balance Scorecard as a new strategy adopted by the bank to measure the bank performance. They said that the BSC would help to translate mission and strategy into objective and measures, which is organized into four perspectives which are financial, customer, internal business process and learning and growth. They further explain that the BCS would be used to provide a framework, a language, to communicate mission and strategy at the same time used as measurement to inform employees about the drivers of current and future success of the bank. The challenge and bank's response cannot be established right now because the strategy has just been adopted.

4.2.9 Sukuk

The interviewees mention Sukuk as an Islamic financial vehicle similar to a bond. They explain that the bank has another separate entity which is being operated under FCB but under the same parent institution known as FCB Capital which is a subsidiary that deals with investment banking opportunities. They further said that they offer a wide range of Shariah compliant investments that will soon introduce Sukuk to meet the needs of Islamic capital market. They said FCB capital is currently taking a hands-on approach to develop and promote sukuk market to Kenya which entails working closely with Kenyan government authorities in creating legislative and regulatory framework for sukuk offerings. The challenges cannot be established yet because the strategy has not been in operation.

4.2.10 Takaful

The CEO mentioned Deposit Takaful (DT-Insurance) as new strategy which is yet to be introduced by the bank but not yet in operation. He said with the introduction of Islamic finance opportunities, Takaful will be a new Islamic venture that is hoped to be successfully aligned with the market of Kenya. He further explain that FCB Takaful is a wholly owned subsidiary of FCB and was introduced and licensed by Insurance Regulatory Authority (IRA) as a corporate agency where it can be described as a self-catering scheme for providing financial aid to participating members in need based on brotherhood and solidarity that is, it will seek to create a pool of funds from mutual co-operation by participants with the purpose of providing financial aid to any of the participants who may suffer a loss. He emphasizes that the practice of the bank as a fully-pledged Shariah institution takes into consideration that insurance needs to be done the right way hence the implementation of FCB Takaful as a separate entity but an umbrella to the Bank. The challenges are yet to be established because the strategy has not been in operation.

CHAPTR FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter sets to draw conclusions that will seek to address the research objectives as outlined in chapter one. The first objective of this study was to establish the strategies implemented by FCB, to determine the challenges and to establish measures taken by FCB in dealing with the challenges. However great a strategy looks, if it cannot be implemented it is of no value to an organizations. Organization need to continuously handle strategy implementation challenges in order to achieve the set objectives.

5.2 Summary and Findings

In summary, the study revealed that the interviewees are aware of the strategies adopted by First Community bank in its process and the challenges that the organisation is facing in the process of achieving its objective. The knowledge about the operation in the organization has been experienced by the interviewees despite of being worked there in a short period and also due to the fact that all of the interviewees were engaged in the day-to-day management and operations of its strategy formulation and implementation of the firm. As a result of the above, the researcher felt that the results obtained from the interviewees reflects the true position as in the organisation.

First Community Bank operates in a complex, dynamic, highly competitive and regulated environment. It has responsibilities to shareholders, customers, employees and communities together with the underlying objective of the firm which is providing

Islamic banking services in Kenya. Towards the attainment of this objective, the firm has endeavoured to modernize its infrastructure through the employment of new technologies and continuous training and maintain workforce that is motivated and willing to steer the organization towards the attainment of the same objectives.

In the pursuit of achieving implementation success of the organization strategies, the bank has faced a number of challenges. The challenges ranged from: lack of awareness of the existence of the products in the market, no much differentiation among the products within Islamic banking; difficult in changing the perception of the customers, practitioners, and regulators in understanding Islamic concepts, lack of proper infrastructure available in location areas where banks operate, shortage of trained staff about Islamic banking and staff not having adequate knowledge about Islamic banking, Interest-free Financial Instruments in Kenya supporting Islamic banking in the country, Insufficient legal protection governed by the Companies Act in Kenya banking industry of Controlling and Supervision basis of Islamic Shariah by Central Bank of Kenya because all banking and financial rules and regulations are established in favor of conventional banking practices. The interviewees observed that in the case of First Community Bank, top management have always been enthusiastic enough in implementing organization strategies and coming up with strategies to counter the challenges that face the firm and this has contributed to its success.

On the process of responding to its challenges the bank engaged in a media campaign so as to bring awareness to the consumers about their services and products on the basis of competitiveness and also conducting seminars, awareness programs to educate

employees, customers and community at large. The banks also conducted training and workshops to sharia board members so that they can gain knowledge in banking. For the betterment of the society and empowerment of youth the bank came up with youth program informing the youth on how to benefit from the funds. In responding to poor infrastructure they adopted iMAL system from Path Solution to upgrade the system. The bank also opened Finance Training Center at the bank's branch in South C Nairobi to train its staff in Islamic banking concept.

5.3 Conclusion

From the finding of the study, it can be concluded that the overall macroeconomic growth in Muslim countries will drive the growth of financial services in general, leading to further growth of sharia-compliant banking. The study also found that Islamic banks can provide efficient banking services to the nation if they are supported with appropriate banking laws, and regulations. This will help them in introducing Profit Loss Sharing modes of operations, which are very much conducive to economic development. It would be better if Islamic banks had the opportunity to work as a sole system in an economy. That would provide Islamic banking system to fully utilize its potentials.

Finally, a personal closing thought on Islamic finance subsisting in the Kenya: given the financial crisis in this country, I dare say that the conventional system could stand to learn from the core Islamic principles that drive the Islamic finance industry- namely, the sources and uses of funds. Even with its challenges and inconsistencies, Islamic finance is seen as a 'greener,' more socially aware financial system. Its presence in the Kenyans could enlighten regulators and consumers alike on safer financial practices. And, as noted

earlier, the Islamic finance industry could, in turn, learn more in the domestic arena with respects to regulatory standardization.

Despite the great strides that the First Community bank has achieved within the short time that it has been in operation in the banking business, there is still room of improvement and growth considering that there are still many Kenyans Muslim and Non Muslims who do not have access to banking services. Further expansion especially in rural areas needs to be taken because it has been proved that the unbanked populations in the rural areas have greater potential to change the fortunes of a bank.

5.4 Limitation of the Study

This study had various limitations. Some of the senior officers were too busy to take time off and respond to the questionnaires even after several requests. Due to the nature of information handled by banks some interviewees were very sensitive about the information they were sharing thus did not give information considered as confidential. It would have been of value to obtain views of other lower and middle management staff since they are the implementers of strategies.

The study depended on interviews and discussions with management and the employees of the organization. It would have been of value to obtain the views of those served by the organization or other stakeholders in the firm. The scope and depth of study was also limited by the time factor and financial resources constraints. This put the researcher under immense time pressure.

5.5 Suggestion for further research

This study concentrated on the challenges of strategy implementation at First Community bank the findings cannot be generalized because other banks and sectors face varied challenges such a political interference, government legislations, currency fluctuations in the international market. There is therefore need to do more research in other sectors in order to get a broader view on challenge to strategy implementation.

The research therefore should be replicated in other conventional banks that have opened Islamic windows in order to meet the requirements of the consumers and to retain their customers such as Barclays bank, Chase bank and the results compared so as to establish whether there is consistency among the challenges facing such firms in their strategy implementation and for benchmarking.

5.6 Recommendations for Policy and Practise

Based on the identified finding from the research study, recommendation will be made to improve the implementation of the strategy implementation at FCB. The finding of this study indicate that strategy implementation is affected by lack of Scholars in the Shariah board committee have good knowledge of Islamic teaching and laws but some are lacking behind in the field of banking knowledge, shortage of trained staff about Islamic banking and staff not having adequate knowledge about Islamic banking, Insufficient legal protection governed by the Companies Act in Kenya banking industry of Controlling and Supervision basis of Islamic Shariah by Central Bank of Kenya among others. Although there is a lot seen about public relations and talk in the media, there is

no real marketing approach to Islamic finance as in other industries. By implementing real marketing strategies, Islamic financial products could achieve wider attention and awaken sleeping potential. Currently more emphasis is being given on religious prohibitions but it needs to be communicated much more about the specific benefits distinguishing Islamic financial institutions from others.

Finding also revealed that there is a need for re-organization of the whole financial system by reviewing the problems of Islamic banking in general and Islamic banks in Kenya in particular poses a challenging feature for the promotion and survival of Islamic banks in Kenya. The policy implication is not that Islamic banks should never be floated within the conventional banking framework. Rather it is the conventional banking system whose operational mechanism needs to be re-examined and converted into PLS system considering beneficial impact of the latter on the economy. However, as long as Islamic banks are to operate within the conventional banking framework, the recommendations under the following heads may be taken note of.

Future Policy and Strategy deserves immediate attention is the promotion of the image of First Community banks as PLS banks. Strategies have to be carefully devised so that the image of Islamic character and solvency as a bank is simultaneously promoted. To this end, Pilot schemes in some selected areas should be started to test innovative ideas with profit-loss-sharing modes of financing as major component. The banks should clearly demonstrate by their actions that their banking practices are guided by profitability criterion thereby establishing that only Islamic banking practices ensures efficient allocation of resources and provide true market signals through PLS modes.

The findings revealed that there is a need to introduce modern banking policies and practices, with a view to facing the growing competition either fellow-Islamic banks or the conventional banks which have launched Islamic banking practices, should adapt their functioning in line with modern business practices, though improvement and expansion of the range of dealing in the banking sector. Thus, it is necessary for them to provide comprehensive banking and investment services to clients and simultaneously to take advantage of modern technological breakthroughs in areas such as electronic communication, computerization etc.

The finding revealed that the Government should think actively for the promotion of Islamic banking in Kenya considering its pro-development role. It should amend existing financial laws, acts and regulations to create favorable environment conducive to smooth operation of Islamic banks in Kenya. The bank Reforms Committee may be entrusted to draft an Islamic Banking Act. Government should also allow establishment of Islamic insurance and other subsidiary companies in order to facilitate their operation. First Community Bank should develop some Islamic Monetary and saving instruments and create separate window for transactions with the Islamic banks and a full-fledged Islamic banking Department for analyzing, supervising, monitoring and guiding purpose, thereby facilitating Islamic banks for their smooth development in Kenya.

My finding reveals that Islamic banking sector is offering somewhat same services and products with a little change (according to Islamic Shariah laws) as compared to conventional bank's products. Although they have developed many different transactions but mainly they are focusing on Ijara (Leasing) and Musharaka (Cost plus) which are

very close to leasing and cost plus transactions of conventional banks. The bank should bring innovation in their products and services which could be achieved through more research on Islamic banking and consumer behavior. Innovation can be of different types like product innovation, service innovation and process innovation. Islamic banks must have separate research departments and Shariah board should assist this department. Islamic banks should have more innovative products which should be in line with Shariah. They should go beyond the traditional type of banking in which only upper class of the population can take part. They should bring more innovation using technology like IT and telecom and introduce a varied range of services and products, so as to capture maximum pool of clients. This recommendation is also based on the product development option from the four available options of Ansoff Matrix.

I have observed during the empirical findings and analyses that all Islamic banks in Kenya have their own Shariah boards which assist them in finalizing the products and services that either these are valid according to Islamic laws. Although these Shariah boards give their recommendations according to Islamic laws but conflicts have been observed among the opinions of different Shariah boards for the same product. As a result of these conflicts, consumers get confused that which Islamic bank is right and what product is according to Shariah. The researcher recommends that Islamic banks must introduce a standard Shariah board which could bring standardization in the sector.

My findings revealed that mostly Islamic banks are trying to promote the sector just in the name of religion. I have analyzed that although many people are interested in dealing with Islamic banks just because of prohibition of interest in Islam. Yet, there are a great

number of customers who choose the banking services on the basis of services, quality and profitability. I recommend to those who are planning to start new Islamic banks or those who are already running Islamic banks that they should run a proper media campaign so as to bring awareness to the consumers about their services and products on the basis of competitiveness. They should arrange some seminars, events and media talks for the managers of small and large organizations and laymen as well, to make them realize the actual essence of Islamic banking. As the spirit of Islamic banking is not only profitability but also the betterment of the society. So they should start investing in projects through which people get more benefits and employments.

My finding reveals that more population is living in rural areas and there is also a lack of financial services for them. People of rural areas are comparatively more religious than those of urban areas. Female population has also been ignored to target by other financial institutions. We recommend that Islamic banks should widen their activities to these areas and try to capture and involve the female segment of the population as it constitutes a big set of consumers.

The finding revealed that mainly the staff of Islamic banks does not have adequate knowledge about Islamic banking as most of them have their educational and training background in conventional banking sector. Scholars of Shariah boards have good knowledge of Islamic teaching and laws but some are lacking behind in the field of banking knowledge. The bank should establish an international supervisory *Shariah* board with diverse juristic representation on neutral ground that already has robust financial regulatory systems in place.

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APPENDICES

Appendix I: Letter of Introduction

July 2011

The Managing Director

First Community Bank

P.O. Box 26219-00100

Nairobi Kenya

Dear Sir,

Re: Request for Research Data in First Community Bank

I am a student at the University of Nairobi Pursuing a Masters of Business Administration program. I am conducting a research project in partial fulfillment of the requirement for the degree of Master of Business Administration (MBA). My topic of study is “Strategy implementation and its challenges in First Community Bank.

I kindly seek your authority to conduct interviews in your organization with your key staff to gather the required data. This information will be treated in strict confidence and will be used purely for academic purposes and your name will not be mentioned in the report. Findings of the study, shall upon request, be avail to you.

Your co-operation will be highly appreciated.

Yours faithfully,

Sabrina B. Essajee

MBA Student

Appendix II: Interview Guide

Research Topic: Strategy Implementation Challenges at First Community Bank

Kindly answer the following questions by filling the spaces provided.

Part A: General Information

1. Name of the Respondent (Optional).....
2. Name of Department.....
3. What is your designation in the department?.....
4. What is the length of time in the organization?.....
5. How long have you worked in your current Position.....

Section B: Strategies Adopted by First Community Bank (FCB).

1.
 - i. Strategy
 - ii. What were the challenges in implementing the strategy?
.....
.....
 - iii. How effective do you find your approaches in dealing with the challenges?
.....
.....
2.
 - i. Strategy
 - ii. What were the challenges in implementing the strategy?
.....
.....
 - iii. How effective do you find your approaches in dealing with the challenges?
.....
.....
3.
 - i. Strategy
 - ii. What were the challenges in implementing the strategy?
.....
.....

iii. How effective do you find your approaches in dealing with the challenges?

.....
.....

4. i. Strategy

ii. What were the challenges in implementing the strategy?

.....
.....

iii. How effective do you find your approaches in dealing with the challenges?

.....
.....

5. i. Strategy

ii. What were the challenges in implementing the strategy?

.....
.....

iii. How effective do you find your approaches in dealing with the challenges?

.....
.....

List of Strategies for interview

1. What are your Marketing Strategies (4 P)?
2. What strategies does FCB have in place in dealing with money laundering?
3. Did you in any point downsize your staff?
4. Do you have e-banking Services? If not, when are planning to have one?
5. What is the strategy put in place in creating awareness of your product/service?
6. Have you done any restructuring since you started operation.
7. Do you have development programmes whereby participants are educated on Islamic banking principles and concepts?

8. Do you have ‘on the job training scheme’ whereby new comers and staff undergo training program in Islamic banking?

9. Do you have training programmes that have been previously offered? E.g. seminars workshops on Islamic banking?
10. What is your stand in the overall banking system given Central bank operates under conventional system? How do you overcome such challenges if any?
11. Is the current organizational structure of the bank appropriately structured to meet the bank's mission and vision?
12. What type of competitive strategy is your organization focusing on?(Differentiation or Niche strategy)
13. Since the financial industry is changing fundamentally, what is the efforts your organization should focus in terms of long-term plans?
14. Regarding Islamic jurisprudence, how are you formulating your products and services to fit the market demand at the same time in line with risk management and shariah compliance?
15. Islamic finance is best known to be stable during economic downturns, has your organization face this stability when the cycles exists in Kenya? If no, how does your organization secure itself to achieve this paradigm?
16. Are you planning to have any mergers and acquisitions to build up market share?