STRATEGIC ALIGNMENT AS A SOURCE OF COMPETITIVE ADVANTAGE AT EQUITY BANK (K) LTD

NELLY KALUNDA KASINA

A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), OF THE UNIVERSITY OF NAIROBI

NOVEMBER, 2012

DECLARATION

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

Sign: ____________________ Date: ____________________

NELLY KALUNDA KASINA

D61/7191/2004

This research project has been submitted for examinations with my approval as the university supervisor.

Sign:____________________ Date:____________________

JEREMIAH KAGWE

School of Business

University of Nairobi

DEDICATION

To my loving husband Allan Owiti Awuor, whose wisdom and counsel has been the cornerstone in my quest for academic excellence. My children, Martin Luther and Alice Mwikali for always lifting up my spirit when I'm down.

To my parents, Mr. Joshua Kasina & Mrs. Mary Kasina and all my siblings, thank you for always believing in me and for the endless support provided.

ACKNOWLEDGEMENTS

I wish to record my sincere gratitude of appreciation to my loving husband and life partner, my loving parents, brother and sisters, for the moral support they have given me throughout the duration of my studies.

I wish to thank my supervisor Mr. Jeremiah Kagwe who devoted much of his time to supervise the writing of this project. Through his expert guidance, encouragement and constructive criticism, I was able to complete this study.

To my sister and my study partner Caroline Kasina, thank you so much for your moral support and encouragement.

Above all, I thank the Almighty God for His strength and the far he has brought me.

ABSTRACT

The growth and diversity in the international business has brought about new challenges and heightened the competitiveness of firms across the globe and to remain relevant, firms have been forced to re-examine themselves internally in order to improve their performance. Organization need to create a customer experience that keeps customers coming back, a strategy which will ultimately separate one's firm from the competition. There is need for a strategic fit among many activities in the organization in such a way a way that it results in organizational competitive advantage. The purpose of the study was to determine the role of strategic alignment as a source of competitive advantage at Equity bank (K) Ltd. The study adopted a case study research design in which an interview guide was used to collect data and content analysis was used in analyzing the data. The result findings show that the bank has identified three key pillars for alignment and these includes its process, products and human resource base. By alignment of these three core pillars, the bank has been able to gain a competitive advantage in the market. This advantage has come in form of increased profitability, customer numbers, customer deposit, product range, a flexible IT system and a management team that is able to identify and capture opportunities. The bank has however faced a number of challenges in the course of aligning its operations for strategic purpose and this include, high turnover of the staff in key sections, in adequate finances to finance the all alignment process and in some cases a culture that tended not to be accommodative to new challenges.

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The growth and diversity in the international business has brought about new challenges and heightened the competitiveness of firms across the globe and to remain relevant, firms have been forced to re-examine themselves internally in order to improve their performance. Indeed according to Day and Lichtenstein (2006), many firms have spent vast amount of resources in order to improve their competitiveness and sustainability by looking at their internal processes. In the history of a firm's competitiveness, there has been a metamorphosis of what has been considered as a source of a firm's competitive advantage. During the 1980s, it was believed that the basic source of a firm's competitive advantage relied on industry structure (Porter, 1985) but the same perspective changed to internal factors through the introduction of such factors as the "resource-based" view of the firm (Barney, 1991). However, recent research suggests that firms may improve the value of their established competitive advantage through their strategic orientation, business structure and information technology (Stewart, 2007).

When formulating corporate strategy, researchers have emphasized the importance of fitting or aligning the organization's strategy with an internal appraisal of the firm and an external assessment of environmental opportunities and threats. Alignment is important in formulating strategies as well as in their implementation. Implementation is fostered by aligning and adjusting key systems, processes, and decisions within the firm (Kaplan, 2005). A firm's ability to seek and maintain a competitive advantage rests on its ability to acquire and deploy resources that are coherent with the organization's competitive needs and as such, alignment requires a shared understanding of organizational goals and objectives by managers at various levels and within various units of the organizational hierarchy. However according to Hagel and Singer (1999), some strategy researchers have argued that too much alignment may result in firms with components that are very tightly coupled and lead to problems with adapting to a dynamic external environment. For instance, they argue that a fit should be considered in light of the interaction costs faced by a firm. They contend that if the interaction costs of performing an activity within the confines of the firm are higher than the costs of performing it externally, then it ought to be performed externally rather than attempting to create a fit within the tightly couple bounds of the firm.

Technology becomes a main source of competitive advantage and a strategic weapon, especially in the complex and fast changing environment of banking industry, owing to the crucial role information plays in the description, promotion, distribution, amalgamation, organization and delivery of banks products (Sheldon, 2007). The use of alignment is considered strategic in Equity Bank as it enables the bank to achieve competitive advantage by using technology for more than merely internal operational improvements in efficiency; but by wider and larger improvements within the environment within which the bank operates. This has enabled the bank to achieve competitive advantage through the relationship with customers and suppliers, or by changing the way a firm competes in an industry. Increasingly the use of technology has enabled the bank to develop innovative distribution channels and communicating with consumers and partners and these has enabled the bank customers and partners to place greater value on the bank than their competitors.

1.1.1 Strategic Alignment

Several definitions have come up concerning the subject of business alignment strategy. According to Chan and Reich (2006), business alignment is the extent to which IT activities and capabilities support business strategy. Henderson and Venkatraman(1993) observed that strategic alignment was originally defined as concerning the inherently dynamic fit between external and internal domains, such as the product/market, strategy, administrative structures, business processes and IT. These definitions show that Business-IT alignment is both an internal and external process across an organization or organizations. Firms can create sustainable competitive advantages through external alignment with business environment and internal alignment with resources and infrastructure. Business-IT alignment studies in management literature have followed multiple frameworks, for example, contingency and resource-based perspectives. Contingency theory considers business-IT alignment as a state that determines strategic arrangements and organizational structures in the process of interaction with business environment. The studies based on the contingency approach suggest understanding the business-IT alignment process as a part of the strategy formation process to maximize business performance. On the other hand, the resource-based view emphasizes an organization's resources and capabilities as sources of competitive advantage. Different IT assets and endowments within organizations can therefore explain how firms can create sustainable competitive advantage and why firms differ in business performance.

Firms are responding to the anticipated changes in their environment by deploying IT at an increasing rate (Burgeron *et al.,* 2004). To the senior executives of a firm, IT investment has been an important issue as evidenced by their annual budget allocation. IT could influence business performance in a way that it would be in “alignment” or “fit” with the strategic, structural and environmental dynamics specific to each organization. They observe that IT has been known to translate IT investments into increased business performance; improvement in productivity as well as an increase the market share it holds, and profitability or other indicators of organizational effectiveness.

1.1.2 Competitive Advantage

Adding values for customers, employees, and owners has become a central theme in strategic management for service companies. To create values for these stakeholders, a firm should achieve a competitive advantage over its competitors by adapting itself to the uncertain industry environment, understanding the changing needs of customers, and responding to new market entries. Achieving competitive advantage is presently recognized as the single most important goal of a firm (Porter, 1980). Thus, organisations need to identify how to secure an advantageous competitive position where other players have not. Without achieving a competitive advantage, a firm will have few economic reasons for existing and finally will wither away.

According to the resource based view of gaining competitive advantage, firms' resources reside within a firm and therefore an advantageous competitive position of a firm is built on value-creating resources that are critical inputs into the production and distribution of its products and services (Barney, 1991). However the heterogeneity of the resource bases of different firms suggests that firms are presented with different opportunities for sharing and adapting their portfolios of assets. As was observed by Barney (1991), competitive advantage stems from internally-developed resources with characteristics of value, rareness, inimitability, and non-substitutability and because resources with such characteristics can neither be commonly traded nor easily acquired by their competitors (Barney, 1991). Thus, the theory argues out that a firm's competitive advantage emanates from resources unique to a firm such as key competencies, assets, capabilities, resources, information, and knowledge.

Over the last decade the competitive landscape has pushed organizations to compete not solely on their own capabilities but with their entire resources (Hult*et al.,* 2007). Increased customer requirements coupled with competitive pressure from globalization have forced managers to ensure that their organization's resources are well aligned across all its functional areas. This alignment is key in developing and maintaining capabilities required in meeting evolving customer demands. Competitive advantage from information technology can only come from strategic agility of the enterprise architecture backed up by flawless execution. The concept of "strategic fit" emphasizes the point that competitive advantage can be realized only if the "strategic alignment" is complemented by "optimization of effort". Strategic fit of technological activities means they should not only be consistent and reinforce overall business strategy, but also ensure optimization of technology activities. Strategic fit ensures that technology activities contribute to building a firm's competitive advantage. While strategic alignment aims to accentuate a firm's existing competitive strengths, IT architectural flexibility and IT delivery efficiency is key to realizing optimization of effort to ensure sustainable competitive advantage.

1.1.3 Strategic alignment as a source of competitive advantage

The role of IT in the organization has evolved with time. IT has been treated as a cost center for a long time (Porter and Millar, 2005). However, now it has been considered as an enabler to achieve competitive advantage. The business strategic alignment with IT is considered to be a very important issue particularly when IT becomes an essential part of the business and is used to leverage special business competencies, merge companies, restructure industries, and facilitate global competition (Johnson and Lederer, 2010).Businesses today are facing an ever increasing competition both at the domestic and global front. So, it becomes an essential necessity for organization, to understand the nature creating competitive advantage. For organizations to stay competitive in a dynamic business environment, they have to determine and understand how to manage IT strategically as a key success factor for a successful business in a dynamic business environment that supports business strategies and processes (Henderson and Venkatraman, 1993). The importance of the strategic use of technology based IT for effective organizational performance that makes a contribution to the creation of business value is well recognized.

D'Souza and Mukherjee (2004) ascertained that IT revolution is about improving the performance of a firm in a coordinated manner over the long haul. Further, IT business alignment that concentrates on instant results, and casts the task as a technology diffusion problem, would not be the best way to attain financial enhancements in the long run. Instead, alignment models should focus on fitting the chosen IT package to the firm since the organizational change is inherently confused, time-consuming, and since top management demands innovation activities. According to Peppard and Ward (2004 p. 169), "Technology itself has no inherent value and that IT alone is unlikely to be a source of sustainable competitive advantage. The business value derived from IT investments only emerges through business changes and innovations, whether they are product/service innovation, new business models, or process change, organizations must be able to assimilate this change if value is to be ultimately realized".

1.1.4 The 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. As at December 2011 there were forty six banking and non-bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. According to the Central bank of Kenya (2011), there are a total of 45 licensed commercial banks in the country and one mortgage finance company. Out of the 45 institutions, 32 are locally owned and 13 are foreign owned. The locally owned financial institution comprise 3 banks with significant shareholding by government and state corporations, 28 commercial banks and 1 mortgage finance institution. However out of all the banks only 10 of them are listed in the Nairobi stock exchange having met the conditions of listing and applied for the same. The Central bank of Kenya annual supervision report (2011) categorizes the financial institutions into three tiers; Large, Medium and Small in terms of net assets. Out of the 45 institutions, 13 were in the large peer group with aggregate net assets of over Ksh. 15 billion. The medium peer group comprise of 17 institutions with net assets ranging between Ksh. 5 billion and 15 billion, whereas the small peer group had 15 institutions with net assets of less than Ksh. 5 billion.

Over the last few years, the banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. This growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in East Africa community region as well as automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional ‘off-the-shelf’ products. The CBK (2011) emphasizes that the banking institutions will need to cope continuously with changing business environment and a continuous flood of new requirement via a robust ICT platform, while staying sufficiently agile. Consumers will continue to demand individualized services, and to demand them faster than ever. Hence banks will continue aggressively design new products that leverage on ICT to remain competitive. Down streaming into the retail market segment will also be expected to continue particularly with the anticipated licensing of deposit taking Micro finance Institutions.

In the coming period, according to the CBK (2009), diversification into other financial services is also expected as consumers increasingly seek “one stop financial supermarket.” These developments are expected to enhance banking products being offered and bring more Kenyans into the banking space. Owing to deregulation, new technology and changing consumer behavior, the competition in the banking sector is getting fiercer. In the Kenyan banking sector the intensified competition has recently resulted in a number of banks adopting agency banking and new electronic distribution channels. The Kenyan banking industry has continued to grow both in terms of new local and foreign entrants, customer and deposit base, regionalization and increased scrutiny from the regulators specifically the Central Bank of Kenya. This new shift in the Kenyan banking industry can be attributed to the liberalization of the sector, increased adoption of information technology and improved business environment due to reforms being undertaken in the political, economic, social and cultural fields.

1.1.5 Equity Bank Ltd

Equity Bank commenced business on registration in 1984. It has evolved from a Building Society, a Microfinance Institution, to now the all-inclusive Nairobi Stock Exchange and Uganda Securities Exchange public listed Commercial Bank. With over 7.3 million accounts, accounting for over 57% of all bank accounts in Kenya, Equity Bank is the largest bank in the region in terms of customer base and operates in Uganda and South Sudan and Rwanda. Equity offers financial services through its wide network of branches in Kenya, Uganda South Sudan and

Rwanda supported by alternate delivery channels which include: Points of Sale (POS) where customers shop; pay and withdraw cash in leading retail outlets, internet and mobile banking channels The Bank runs on a Global Robust State of the Art Information Technology Computer System supported by Infosys, HP, Oracle and Microsoft and agency outlets (Annual report, 2011).

Equity's focus on its microfinance customers is regarded as an important success factor since 1995. This focus, which is embodied in the mission of the organization, drives most of the activities of Equity. The bank's focus on the management of client perceptions is an embodiment of the importance attached to clients. Impeccable attention to client service is also seen as one of the most important success areas of all. The bank has also endeavored to build human resource and technical capacity over time. However, the bank, like any other organization, has its own unique challenges which include maintenance of the client-focused culture, even with growth. The competition in the banking industry has reached an all-time high and the effect of ICT can be seen in electronic banking (e-banking) and in the implementation and increasing performance of information processing. With respect to a company's strategic policies, ICT has played an important role in the organization's existence. Furthermore, an excellent strategic alignment of business strategy and information systems strategy will lead the information system to a crucial point, which eventually boosts business performance. Strategic alignment of business strategy and information technology/system strategy will respond to the challenge to the company faced with stiffer competition. Paradoxically, the threats to very severe competition are inevitable, but on the other side, potential market powers are also foreseen. Therefore Equity bank has no option but to change in order to remain competitive and to retain customers. To acquire competitive advantage, commercial banks must empower the information and communications technology (ICT) holistically

1.2 Research Problem

Most new businesses start with some great advantages in the marketplace. Those advantages may include bringing a product known to work in other locations to a new market, a great price-value, a beautiful facility, and/or a great location. However according to Kaplan (2005),organization need to create a customer experience that keeps customers coming back, a strategy which will ultimately separate one’s firm from the competition. Building customer loyalty starts with a commitment to deliver excellence at every moment of truth and must extend from upper management to every frontline employee. According to Rivard et al., (2006), strategic fit among many activities is fundamental not only to competitive advantage but also to the sustainability of that advantage. They posit that it is harder for a rival to match an array of interlocked activities than it is merely to imitate a particular sales-force approach, match a process technology, or replicate a set of product features. As a result, when formulating a corporate strategy, it is important for it to fit or align the organization's strategy with an internal appraisal of the firm and an external assessment of environmental opportunities and threats (Jean et al., 2008). They point out that in the process of realizing an organizations strategy, alignment is important in formulating strategies as well as in their implementation since implementation is fostered by aligning and adjusting key systems, processes, and decisions within the firm.

Equity Bank in comparison with other established banks in the country can be considered to be relatively young having converted to commercial banking in 1984. During the last 25 years the bank has been in operation, it has been able to break to be among the big four commercial banks in the country. This can be attributed to among others the ability of the bank to develop and implement its strategies in a better way. The bank has over the years revolutionized the banking sector by adopting mass marketing strategy although they give emphasis to low income earners as it caters for their needs without any form of segregation. The impressive growth in Equity bank can be attributed among other things its ability to align more effectively its resources in a way that has brought with it a source of competitive advantage. These internal resources that has been able to foster growth in the bank include; human resources, IT platforms and branch network. The need for effective alignment of these internal as well as external resources comes from the bank management believing that it is not necessarily the resources that a bank has that bring a competitive advantage but rather how the same are combined.

There are various studies that have been done on strategic alignment as a source of competitive advantage. Jogiyato (2007) undertook a study on strategic alignment as a source of competitive advantage in Indonesian banking industry and found out that banks will attain a competitive advantage if top management is committed to the strategic use of information systems/technology, and recognizes it as a support for building distinctive advantage. Banks are also likely to achieve a higher level of performance when the cooperative relationships with their strategic partners are supported by electronic linkages built upon either information systems/technology tools or architecture networks, and when the work processes intra- and inter-firms group projects are substantiated by information. Kearns and Lederer (2000) did a study on the effect of strategic alignment on the use of IT based resources for competitive advantage and found out that no single IT application can deliver a competitive advantage; rather, an advantage is obtained through capacity of an organization to exploit IT functionality on a continuous basis. Thawesaengskulthai (2007) stated that technological innovations must support operational and organizational strategies, as this alignment will lead organizations to improve the operational performance and gain a competitive advantage. Agarwal and Sambamurthy, (2009) on the other hand indicated that as CEOs focus more on IT and their need to understand how to align IT strategy with business strategy, and to maintain that alignment over time, remains strong. Alignment is pursued because it has been demonstrated repeatedly that firms' business and financial performance can be improved when organizations are able to align IT strategy with business strategy. As a result of the aforesaid, this study will wish to undertake a study to establish how the bank has aligned effectively both internal and external resources to be a source of competitive advantage. The study will therefore seek to determine; how does Equity Bank use strategic alignment as a source of competitive advantage?

1.3 Research Objectives

The objectives of the study will be:

(i) Establish how strategic alignment at Equity Bank acts as a source of competitive advantage.

(ii) Determine the challenges that Equity Bank faces in the use of strategic alignment as a competitive tool.

1.4 Value of the Study

The study will aid various stakeholders: the banking fraternity in the country will obtain details on how they can be able to effectively implement their strategies in the face of numerous challenges facing the industry both from within and outside the industry. Adaptability of firm's strategies in the face of unpredictable business environment and the details of responses to the challenges will help the firms in the industry. In addition the study will be an invaluable source of material and information to the many micro-finance institution operating in the country since Equity bank was just less than a quarter a century ago one of them and yet in a span of less than twenty years it has been able to transform itself to what it is today.

The government and regulators in the financial sector will also find invaluable information in how good strategies can be adopted and as a result put in place policies that will guide and encourage other firms within and without the industry in implementing their strategies.

For academicians, this study will form the foundation upon which other related and replicated studies can be based on. Investors can also gain an insight on the business and its strategic position within the environment, which can assist them in determining their viability of their investments.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter discusses the concept of strategic alignment, strategic alignment as a source of competitive advantage and the challenges faced in the use of strategic alignment as a source of competitive advantage.

2.2 Strategic Alignment

Tallon and Kraemer (1998) define strategic alignment as the extent to which the Information System (IS) strategy supports and is supported by the business strategy. Silvius (2007) defines strategic alignment as the degree to which the IT applications, infrastructure and organization, the business strategy and processes enables and shapes, as well as the process to realize this. Strategic alignment addresses the problem of coordinating the relationship between the business domain and the information technology (IT) domain. Luftman (2003:16) defines strategic alignment as "applying IT in an appropriate and timely way, in harmony with business strategies, goals and needs." He addresses two points: how IT is aligned with the business, and how the business should or could be aligned with IT. Strategic alignment is the link between an organization's overall goals and the goals of each of the units that contribute to the success of those overall goals. At the core, it means that records managers must look at both the short-term and long-term objectives of the records management program in the context of the organization's customer-centric focus. This should be a dynamic process with a quarterly or annual review of the goals of the records management program in the context of the changing strategy of the organization.

Strategic alignment is not only critical for organizational effectiveness and efficient resource utilization, but alignment must be present before information systems can be chosen and diffused to achieve maximum IT effectiveness and to support business strategies. IT by itself does not explicitly offer a competitive advantage; however it indicates that if an organization uses IT strategically to improve crucial business processes, it can strengthen their competitive position and enable a competitive advantage to be sustained. Guttman (2004) noted that when IT and business strategies are properly aligned, the various parts of an organization move synchronously to achieve results. Strategic alignment is important, as it can build a strategically viable advantage that will provide organizations with increased visibility, efficiency, and profitability to operate in today's ever changing markets. It further allows an organization to respond more quickly to dynamic and changing business environments, thereby using IT to achieve its set goals and objectives.

2.3 Strategic alignment as a source of competitive advantage

The firms need to achieve strategic alignment to be competitive. Strategic alignment impacts business performance and IT effectiveness. While nearly all organizations recognize the importance of aligning business and IT strategies, few believe they are doing it correctly (Beal, 2004). Strategic alignment assists organizations to be competitive and high-performing entities, by targeting IT in areas critical to successful and improved business performance (Guttman, 2004). This is an important point of emphasis, because if an organization does not achieve alignment, it demonstrates that both IT and the business are working towards different goals. This will inevitably lead to IT resources being wasted and not used to their full potential, and huge amounts of money lost. As a result, it is important that an IT strategy be developed by all organizations. However, while it is essential for an organization to create an IT strategy, they must ensure that it is created with the business objectives in mind. The IT and business strategies should be created by people involved in both the business and IT to ensure that the two strategies are aligned, and attempting to achieve organizational objectives.

Business-IT alignment is both an internal and external process across an organization or organizations. Firms can create competitive advantages through external alignment with business environment and internal alignment with resources and infrastructure. Normative integrated models of business-IT alignment usually include multiple variables that determine the level of external and internal alignments. Henderson and Venkatraman's (2003) argued that strategic alignment emerges as an interaction among business strategy, IT strategy, organizational infrastructure and process, and IS infrastructure and process domains. External alignment results from the strategic fit of economic factors between an industry and an organization. Internal alignment results from the functional integration among organizational factors such as both business and IS resources, capability, infrastructure, and processes. A social phenomenon has multiple dimensions, and so does alignment. Both the external and internal alignments are critical in understanding the impacts and processes of business-IT alignment, the theoretical framework should be capable of explaining both internal and external alignment process. Both resource-based view and contingency perspectives must be considered in framework development. The resource-based view that considers IT itself as a strategic resource and the contingency perspective that considers strategic value of IT under the heading of good fit are complementary, rather than competing approaches (Oh and Pinsonneault, 2007).

A firm has a different competitive advantage when it has different IT resources and capabilities. The level of functional integration is often somewhat firm-specific in nature, and in the long term creates sustainable competitive advantages and results in increased business performance.

Meanwhile, business-IT alignment provides direction and organizational flexibility to allow business to respond to environmental threats and opportunities (Avison*et al.,* 2004). Firms can obtain the strategic direction from the strategic dimension of business-IT alignment and the flexibility from the social and technical dimension of business-IT alignment, which are the benefits firms can receive from the business-IT alignment process. Good IT management practice aligns the business and IT infrastructure domains. The social phenomenon of business and IT alignment includes the development of IT to produce the social and technical business values by aligning business and IT infrastructure: for example, aligning organizational infrastructure (administrative infrastructure, administrative process, and administrative skills) and IS infrastructure (IT architecture, IT process, and IT skills). Business-IT alignment allows a company to leverage organizational knowledge and expertise inherent in the existing management infrastructure resulting in a competitive advantage that will positively affect business performance (Gandolfi, 2007).

Strategic alignment has continued to be ranked among the top business executive concerns for the past two decades (Luftman*et al.,* 1999). Strategic alignment enables an organization to use IT more effectively to help realize its goals and objectives. However, since organizations are adaptive systems operating within dynamic and constantly changing environments, the IT strategy needs to constantly change to remain aligned with the strategic business objectives. This means that alignment remains a continuing concern, as there is no explicit or single way of achieving and maintaining strategic alignment. If organizations are to pursue the objective of achieving strategic alignment within a ‘turbulent’ environment, it is important that they not only identify the changes in their environment, but also analyze which changes require a response, and how quickly a change needs to be implemented. In essence, the organization needs to remain as flexible, agile and responsive as possible.

Boar (1994), for instance, claims that organizations need to build, align, and develop competitive advantage through the empowerment of information technology/systems in response to the challenges of global competition. Khandelwal (2001 p. 23) adds, “It is clear that for enterprises to achieve their corporate objectives the information systems supporting the business process have to give right management information, at the right time. To do this, IT in an enterprise must align with the organizational objectives”. According to Premkumar and King (1992), strategic alignment is the linkage of information systems planning with business planning. Ideally, business plan and information systems plan –either product or corporate planning function– should be linked through the direct mapping of information systems strategy to one or more business strategies (Calhoun and Lederer 1990). Through the alignment of information systems plan and business plan, information resources will support the business goals, and reap the advantage of information systems strategic utilization (Premkumar and King 1992). Therefore, an increase in performance can be achieved and competitive advantage will be attained, leading the banking sector to survive and thrive despite fierce competition.

Alignment requires a shared understanding of organizational goals and objectives by managers at various levels and within various units of the organizational hierarchy. A firm's ability to seek and maintain a competitive advantage rests on its ability to acquire and deploy resources that are coherent with the organization's competitive needs (Porter, 1996). However, some strategy researchers have argued that too much alignment may result in firms with components that are very tightly coupled and lead to problems with adapting to a dynamic external environment. For instance, Hagel and Singer (2009) argue that fit should be considered in light of the interaction costs faced by a firm. They contend that if the interaction costs of performing an activity within the confines of the firm are higher than the costs of performing it externally, then it ought to be performed externally rather than attempting to create a fit within the tightly couple bounds of the firm. Strategic alignment of business strategy and information technology/system strategy will respond to the challenge to the company faced with stiffer competition.

Hagel and Singer (2009) assert that the importance and integration use of business planning information system's planning has been empirically proven to increase the information systems contribution to company performance. Unfortunately, the investment value of the information systems cannot be fully realized owing to the lack of strategic alignment between business strategy and information systems strategy in the company. Hence, an increase in performance and competitive advantage will be difficult to accomplish. As organizations pursue the goal of strategic alignment, alignment moves from being an initial or ad-hoc process, to a committed process, to an established focused process, to an improved or managed process, and finally, to an optimized process. When the strategic alignment process can be characterized as initial or adhoc, interaction between the IT and business strategists of the organization is minimal and it is unlikely that strategic alignment will result. In a committed process, the business has recognized the need to contemporaneously define IT and business strategies and has agreed to do so moving forward, but this process is in the early stages and alignment is still unlikely. An established, focused process is in place when IT is becoming an established part of business strategic planning; alignment is a goal, but is likely not yet a reality. In an improved or managed strategic alignment process, IT is recognized as a value center, IT assets are used to develop and sustain competitive advantage, and IT capabilities may enable a business to take a new strategic direction. In an optimized process, IT is integral to the business's strategic plans and IT strategic planning is fully integrated with business strategic planning. The greatest benefit to an organization is found when strategic alignment is an optimized process (Luftman, 2003).

2.4 Challenges faced in the use of strategic alignment as a source of competitive advantage

The reasons behind the misalignment between business and IT, according to Oana (2010), are the lack of common understanding of the concept of strategic alignment, dependence on classical assumptions for strategic planning process, and/or ad-hoc IT investments in organization. Oana (2010) further contends that this misalignment leads to missing competitive advantages and opportunities, increasing wasted time, increasing costs, and creating negative environment for IT investments. Arguably, sustainability of the competitive advantage is conditional on the current efficiency, cost, and the organizational environment. Benbya and McKelvey (2006) highlight that achieving alignment is not a single event that happens once, but a co-evolutionary and emergent process. They describe it as a task which requires continual adaptation and change between the different domains. They further portray the domains as being interdependent, because a change in one domain will require adjustments in adjacent domains for alignment to be maintained.

Hu and Huang (2004) stated that there has been a noticeable increase in the impact of IT on business performance. They further noted that each year a large number of organizations invest in IT to improve their competitive advantage and ultimately their business performance; however, more often than not, the anticipated benefits of IT investments fail to materialize. This is due to misalignment of or lack of alignment, between the business and IT strategies.

According to Sledgianowski and Luftman, (2008, P. 13) “for an organization to successfully align its IT strategies with its business strategies, specific management practices and strategic IT choices should be considered that help facilitate integration.” These factors should be considered and standardized throughout each level of the organization in order for mid-level managers to execute business objectives which are aligned with the overall business strategy. While this is not an easy task for any organization, executives realize the necessity of IT and have been willing to invest millions of dollars to achieving this goal. In order to implement a strategic alignment, an organization must have a need for a new technology. Before an organization can implement a new technology, the strengths and weaknesses must be delineated and understood. The implications of implementing the technology organization-wide must also be studied. Organizations should strive to develop an “alignment behavior” in which all levels of the organization understand the benefits derived from IT. This will facilitate the potential for complete alignment and improve their ability to gain business value from investments in IT.

Luftman (2003) highlights that one factor that greatly hinders an organization’s ability to attain and sustain strategic alignment is the complex and dynamic nature of business environments. Structures and processes are the mechanisms through which organizational activity takes place. Structures and processes are concerned with how the organization organizes for IT, including IS/IT strategy development, delivery of IT benefits, structures for service delivery, mechanisms for business and IT organization to bring together (Peppardand Ward, 2004). Further, inadequate or inappropriate structures and processes can severely impinge on the success of IT in an organization. Traditionally structures in relation to IT have been devised around the concept of technology delivery with a reactive IT organization developing products (applications) in response to business requests or around what it thinks the business requires. To facilitate IT/business integration, appropriate structures and processes are necessary.

The values and beliefs of organizational members have a tremendous impact on many dimensions of IT in organizations. These include the way of managing IT in organizations. For example, if business managers do not believe that IT is strategic this may define the way they manage and deal with IT and associated issues (Peppard and Ward, 2004). This dimension is concerned with the values and beliefs of organizational incumbents. Values and beliefs can significantly shape how attitudes develop and hence behavior and practices. These beliefs are shaped throughout ones career based on the experiences which one has with IT. Major influences are likely to come from experiences with IT both from previous workplaces and from current industry or the organization. According to Peppard and Ward (2004), the concern of leadership is not just the leadership of the IT organization. The concern is also for the leadership which the chief executive officer (CEO) exhibits vis-a-vis IT, where CEO is supportive of IT initiatives. In the IS literature, there are two main streams of research regarding leadership. The first examines the characteristics and role of the IT director or Chief Information Officer (CIO). Earl and Feeny (1994) conclude that the IT director's ability to add value is the single major factor in determining whether the organization views IT as an asset or a liability. Successful IT directors are seen to contribute beyond their functional responsibility (Feeny et al., 1992), although there is often little agreement as to what actually their role and function is in an organization. The role of the IT director has shifted from managing a technical portfolio to managing a relationship portfolio. Furthermore, IT and business strategic planning must be highly supported by open and consistent communication between high-level IT and business managers to ensure the success of strategic planning initiatives. Moreover, alignment is thought to be easier to achieve if line executives have a good knowledge of IT, though this is obviously not always a practicable accomplishment. Alignment can also be enhanced if senior managers are generally committed to IT projects or if the IT function is given high visibility, such as when the IT manager reports directly to the CEO of the organization, or if an exchange is maintained between IT and the business via informal structures, close working relationships and mutual respect (Chan *et al.*, 2006).

It managerial resource concerns the level of involvement from business and IT executives' invent or selection, contract negotiation and management, and the design and implementation of the IT projects. Keen (1991) stated that IT success generally reflects an effective relationship between business managers and IS managers, and is the main contributor to successful vendor relations. Chan et al. (2006) explained that competent IT colleagues are more likely to be trusted and consulted in the decision making process. They become more aware of both existing and new business opportunities, and have the practical knowledge not just in operating within existing markets, but also with a newly-emerging market. According to Peppard and Ward (2004), service quality recognizes that the provision of some IT services will be based around a customer–supplier relationship. Within the quality movement there are the notions of the 'internal customer' and 'service level agreements' which are often devised to set parameters around the expected relationship. The development of IT outsourcing has also seen the development of legally enforceable agreements specifying the level of service, which the client can expect from the vendor.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter describes the proposed research design, data collection and the techniques for data analysis.

3.2 Research Design

The research design was a case study. Cooper and Schinder (2005), case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. The merit of using a case study is that it allows an in-depth understanding of the behavior pattern of the concerned unit. Additionally a case study allows a researcher to use one or more of the several research methods depending on the circumstances. The study used to identify strategic alignment as a source of competitive advantage in Equity bank.

The study used a case study as a strategy research in order to understand or explain the phenomena, by placing them in their wider context, which is the specific company within the banking industry. The reason for this choice is based on the knowledge that case studies are the most appropriate for examining the processes by which events unfold, as well as exploring causal relationships and also they provide a holistic understanding of the phenomena (Kitay and Callus, 1998).

3.2 Data Collection

The study used primary data which was collected using an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. The respondents to be interviewed were the bank's strategists who are the top managers in charge of business development, administration, information technology, human resource management and human resource development. These are considered to be key informants for this research. In addition the departments in which the intended respondents work in are the key developers' and implementers of the company's strategies.

In-depth interviews reduce the "distance" between interviewer and interviewee. This method should be considered more often by researchers since it provides more qualitative information, more depth, more representation, more efficiency, more statistics, and more value (Stokes and Bergin, 2006). The interview process involved extensive note taking, which helped the researcher to highlight the most common issues raised by the interviewees in each interview. The choice of the respondents is very important, as senior executives are the head of the bank and the ones who can foster the organizational implementation of the strategy to their employees. Furthermore, they may provide access to more significant and useful secondary data as documents, and other valuable information. The interviews will be semi-structured so that some questions can be omitted or added if some new and useful information come up through the whole procedure, which will be "face to face" interviews. The order of the questions may also be varied depending on the flow of the conversation. Some of the interviews will be recorded in the cases that the interviewee accepts this action. This can have advantages like keeping the interviewer concentrated on listening and allow the formulated of the questions but can distract the interviewee by "focusing" on the recorder.

3.3 Data Analysis

The data obtained from the interview guide were analyzed qualitatively using content analysis. Qualitative data analysis makes general statements on how categories or themes of data are related. The qualitative analysis was adopted in this study because the researcher was able to describe, interpret and at the same time criticize the subject matter of the research since it was difficult to do so numerically. The qualitative analysis will be done using content analysis.

A content analysis technique was used to generate and categorize items for comparison with the interview results from the managers of the offshore outsourcing firms. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh and Shannon, 2005). It involves observation and detailed description of objects, items or things that comprise the object of study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND FINDINGS

4.1Introduction

The research objective was to establish strategic alignment is a source of competitive advantage at Equity bank limited. This chapter presents the analysis and findings with regards to the objective and discussion of the same and is divided into three sections namely; respondents profile, the strategic alignment as a source of competitive advantage and challenges facing at Equity bank and how strategic alignment has been used as source of competitive advantage at Equity bank Ltd

4.2 Respondents Profile

This part of the interview guide was intended to assess the capacity of the respondents to answer the questions on the interview guide and also whether they were versed with the subject matter of the study. The respondents comprised the top and middle level managers of the bank namely; director innovation and markets, head information technology, finance manager, head of HR department, head of operations and purchasing manager. These respondents were purposely selected by the researcher because they were deemed to be dealing in the bank that touch on strategic alignment. The same respondents interviewed had been targeted by the researcher and therefore this represented 100% response rate.

All the respondents interviewed had university degrees with 4 of them having Masters Degrees as well as various professional qualifications in accounting, IT, purchasing and supplies as well as marketing. Their work experienced spans a total of 63years in various departments within the bank and other firms in the banking industry. In addition, the views of both genders were represented in the interviewees because two of the respondents were female against three men. This meant that the views expressed by the respondents were not gender biased. With this background, the researcher felt that the respondents had the necessary expertise and experience on the research subject matter and will become invaluable to the realizable of research objective.

4.3 Strategic alignment as a source of competitive advantage

This section of the interview guide aimed at establishing from the respondents organizational strategic alignment and how the same as been applied as a source of competitive advantage. Towards this end, the results were that the bank has three important pillars that when they are aligned together in a harmony, then the respondents pointed out will affect the success of the bank. The three pillars identified were the banks' process, products and human resource capabilities. The interviewees noted that when the bank develops products and services that are required by the customers and these products are supported by proper systems and human resource assets, then the bank will be able to realise its desired level of competitiveness and advantage in the market.

The bank has continued to streamline the interaction of the three pillars through the development and rolling out of products and services that the banks retail and corporate clients. A case in point identified by the respondents is the tailoring of the banks products to customers in the low end of the society that until recently were being turned away by the mainstream banks. To support their position, the respondents noted that the bank has currently account customers totaling to over 6M compared to 2M ten years ago. Over the same period, the total deposit base has increased from less than Ksh 80B in 2002 to a current level of slightly over Ksh 220B. Such results show that by an organization identifying an opportunity and aligning its strategies towards capturing the opportunity presented, organizations results will be changed. The findings also show that there is no market that is insignificant not to give a firm a source of competitive advantage but instead an organization only need to streamline its operation to capture the opportunities presented.

Apart from the three pillars identified above in the organization, the respondents also noted that Equity bank has the made a deliberate move to streamline organizational procedures to fit to the needs of the different opportunities that come to the bank. An example identified by the respondents was the case in which the banks retail customers increased at a rate that was exceeding the capacity of the bank’s banking halls. To overcome this challenge, the bank recruited more tellers to man the increased teller points as well as increasing the number of ATMs to the current over 4,500 machines from around 2,000 that the bank had in the year 2000. At the same time, to decongest the banking halls and also move the banking services to the customers’ neighborhood, the bank recruited agents in the last 3 years to serve the banks customers. Currently, the bank has over 6,000 agents spread all over the country including what is considered as the remotest of the places. What this finding means is that for an appropriate competitive advantage to be achieved there is need of the organization mission and actions, policies, and procedures of the organization and its leadership to fit appropriately with the opportunities that arise. The need for such a fit is similar to the findings made by Rivard et al., (2006), who noted that when formulating a corporate strategy, it is important for it to fit or align the organization's strategy with an internal appraisal of the firm and an external assessment of environmental opportunities and threats.

The business market conditions change depending on the customers' needs, government regulations, competitor pressures and generally industry dynamics and if an organization does not adapt to the changes, then its visibility and level of efficiency will be curtailed. What is required is for the organization to have the capacity to respond more quickly to dynamic and changing business environments. Towards the realization of this need, Equity bank has adopted a quite flexible IT system that can be configured to meet the needs of customers as they arise and also be rolled over to a new one with ease. The respondents pointed out that the bank has changed only ones its system over the last 20 years and the present one is being used by the best banks in the world. The IT system presently used has a capacity to accommodate up to 10M customer accounts plus to support other services such as credit/debit cards. The study also found out that all these systems and procedures cannot operate on their own since a human input is required to align them. Towards this end, the study found out that Equity bank has in place a well developed and trained work force that has been able to meet the expectation of the market and also align the resources available Towards the realization of this need, Equity bank has adopted a quite flexible IT system that can be configured to meet the needs of customers as they arise and also be rolled over to a new one with ease in the bank in such a way that it forms the necessary synergy for a greater result and performance.

Alignment of both organizational and information strategies is important in formulating strategies as well as in their implementation. The implementation process is fostered by aligning and adjusting key systems, processes, and decisions within the firm. The respondents observed that the bank has been able to meet its targets through a strategy which drives both organizational strategy and information strategy as these will ensure that there are adequate controls, efficiency and effectiveness in revenue generation and also increase the level of customers' satisfaction.

The bank at present if installing the point of sale (POS) terminals at all its counters such that the customers will not need to fill in any papers when seeking any transaction but instead all the transactions will be geared towards a paperless bank. The pilot test in some of the branches that were implemented produced quite encouraging results. The respondents noted that in one of the branches that the system has been tried, the cost of stationery reduced by over 60% and they foresee that if this system is rolled over to other branches of the bank, it expected that its impact will greatly increase the profitability of the bank as well as make the banks operations environmentally sustainable. The respondents also noted that with the high level of manual entries on the deposit and withdrawal slips, there are risks of fraud and with the introduction of the IT, the automation of the processes system in place has highly minimized the fraudulent activities due to the control measures in built in the system.

Alignment of the organization's resources with its objectives has resulted in opportunities which provide the bank with a chance to improve its performance and its competitive advantage. The respondents pointed out that these opportunities are also the operational potentials that the bank can take advantage of in order to enhance its ability to meet the corporate objectives and goals. The benefits to the bank as a result of the alignment have been the increased potential in attracting highly qualified staff with improved terms of service, embracing modern technology and research which creates ways of enhancing revenue generation, attracting more clients from the easy to use system and generally greater opportunity for profitable businesses that has increased business opportunity for the bank. The banks alignment capacity however faces a number of challenges. The respondents pointed out that this threat can be in form of individuals, group, or organization outside equity that aim to reduce the level of the bank's performance that come from the poaching of high caliber staff by offering better terms of remuneration packages in line with the market, non tariff barriers created by other banks and regulatory authorities, vulnerability of the bank to socio-political changes and political patronage.

The other benefit to equity bank resulting from the strategic alignment process is that the organization has been able to remove duplication of services, provided for a single point of access to handle customers enquiries, facilitated adoption of unique identification numbers for each customer, a single accounting framework, dedicated information processing operations, common support functions, capacity to transforming its public image, and being regarded as a high performing locally owned commercial bank. In addition, the respondents noted that the organization's systems alignment has affected operational performance measures, such as employee productivity, equipment efficiency, and customer alignment as it has led to increased employee productivity, accountability and commitment due to more equipment utilization and customer focus, time management and improved demand driven process, and employee contribution to customer, revenue, internal process and people perspectives.

Change in performance measures within the bank has improved alignment process as it has resulted in review of regulations, procedures, charters, and internal guidelines to align them with the ISO and regulatory requirements. In recognition of the importance of the human resource element in the bank, the respondents pointed out that, reward and recognition regulations have been changed to promote and reward professionalism, moving towards a more customer-oriented model where staff competencies support timely customer focused processes and services that minimize the administrative burden customers.

Externally, strategic choices are shaped by the need to align organizational resources with environmental opportunities and threats. An organization that is in close fit or alignment with various contingency factors such as size, environment, technology, resource availability can significantly improve its' performance. The respondents indicated that equity bank has been able to align its strategies to external opportunities arising from the work environment by minimizing customer compliance costs and enhancing customer service, the unnecessary bureaucracies in opening up of accounts have been eliminated, there has been an increase in offering outreach and alternative services directly by the use of agents. The respondents noted that the external alignment measures that have affected the organization's internal measures include the change in regulation requirements, the changing of macro and microelectronic environment, training of staff in customer care service, formation of the call centre to address customers queries adherence to legal, political and macroeconomic factors like the, vision 2030 have all caused Equity banks internal strategies to be re aligned.

4. 4 Challenges faced in the use of strategic alignment as a source of competitive advantage.

Implementation of strategic alignment in an organization is a time and resource consuming exercise. The interviewees noted that in the case of Equity, the bank has faced a number of challenges in implementing the strategic alignment. The most outstanding problem is the high turnover of employees especially those trained that have accumulated necessary expertise and experience in a particular field. The CEO of the bank noted more recently to the effect that the bank out of the entire labour turnover in the bank, 80% occurs in the first six months. It was found out in the study that by bank losing out on this resources especially the core manpower, it becomes difficult for the organization to fill the void and this leads to slowing down of the rate of implementing the projects. The bank has even have had to counter competitor strategies that are similar to the ones developed by the bank to which it can be traced to an employee that will have been recruited from Equity bank.

The implementation of IT system in an organization is resource consuming undertaking and with the frequent updates and security installations, the maintenance cost of the system becomes exorbitant especially to small banks. The findings of the research was that in the case of equity, the bank has had to invest over Ksh 0.8B in purchasing the software and incur annual license fee of more than Ksh 100M. In addition the cost of training IT staff to operate the system has also become exorbitant to the bank. These costs can also discourage a bank from undertaking such ventures. The organizational structure and culture affects the rate of implementing the strategic alignment. It is important therefore that in designing the structure and making it operational, key aspects such as empowerment, employee motivation and reward should be considered. The structure helps an organization identify its activities and the way in which it will coordinate them to achieve the firm's strategic objective. It also provides managers with a vehicle to exploit fully the skills and capabilities of the employees with minimal costs and at the same time enhance the firm's capacity to achieve superior efficiency, quality, innovation and customer responsiveness

Culture can be inferred from what people may do and think within an organization setting. It involves the learning and transmitting of knowledge, beliefs and patterns of behavior over time. At Equity, it was found out that organizational culture is fairly stable and does not change fast. It sets the tone for the company and establishes rules on how people should behave. The top managers create a climate for the organizations and their values influence the direction of the firm.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter sets out to discuss the summary of the findings, draw conclusions, and make recommendations from the findings.

5.2 Summary of the Findings

The study established that the bank has three important pillars that it considers to be important in influencing its competitive advantage, namely; the banks' process, products and human resource capabilities. In achieving this, the bank develops products and services that are required by the customers and these products are supported by proper systems and human resource assets. The three pillars are what is considered to affect the banks level of competitiveness and need to be aligned together in order to result to the desired level of competitiveness. The bank has continued to streamline the interaction of the three pillars through the development and rolling out of products and services that the banks retail and corporate clients desire. Concerning the banks products, it initially targeted the low income segment of the society and in recognition of the challenges that this market segment could face, it also developed an easy system to use plus developing and recruiting new staff to match the needs of both the customers and process. The IT system of the bank has also played an important role in bringing into alignment the process and human resources assets.

The business environment changes every other day due to government regulations, competitor pressures and business dynamics and in other for the bank to take opportunities that come about from the changes, it has developed a structure that easily identifies the threats and opportunities that arise from the situation in the market. The bank's organizational procedures have also been aligned to the present day needs of the customers and the market in general such that it is able to identify and capture the opportunities that arise in the business environment. The organization procedures that have been aligned to the changing market demands include the banks its mission and vision as well as the management and the banks leadership direction. The banks IT system has also been tailored to be easy for use by the banks customers and also flexible enough to be configured and support the banks many products and departments such as the human resource and finance. Towards the realization of this need, Equity bank has adopted a quite flexible IT system that can be configured to meet the needs of customers as they arise and also be rolled over to a new one with ease.

Having the appropriate products and processes in place was also found not to be adequate on its own. Instead the bank has had to alignment both organizational and information strategies as well in their implementation. The implementation process is fostered by aligning and adjusting key systems, processes, and decisions within the firm and the bank has gained a competitive advantage through a strategy which drives both organizational strategy and information strategy by putting adequate controls, efficiency and effectiveness in revenue generation and also increases the level of customers' satisfaction. The benefits to the bank as a result of the alignment of its operations have been the increased potential in attracting highly qualified staff, ability to embrace modern technology and research which creates ways of enhancing revenue generation, attracting more clients from the easy to use system and generally greater opportunity for profitable businesses that has increased business opportunity for the bank.

5.3 Conclusions

An organizations competitive advantage does not result alone from the resources that it has but instead it comes out of a proper alignment of its procedures and process to be in synchrony in a way that it can capture the opportunities in the market and at the same time increase the firm's ability to counter any threats to its operations emanating from the market. The alignment of organizations internal and external strategies with its IT platform is bound to give the organization a competitive advantage as a result of potential increase in market share, customer deposit, customer satisfaction, internal controls and improved utilization of its assets. Therefore, in the present day competitive business environment, firms competitive advantage does not come only on its resources and products or services it is offering but rather on its ability to combine these resources in a manner that results in a synergy.

The other point that can be concluded from the study is that in for an effective result in the alignment of organizational processes, there is need for the alignment to match the Mission and Vision of the organization. This should also be supported by having a flexible organizational structure, a risk taking management team that will be willing to take a calculated risk if the same is going to affect the organizations level of competitiveness. Adequate resources, both financial and human resources need to be availed to achieve successful implementation of the firm's strategies and also alignment of the process. Despite the possible challenges that can come about in the cause of alignment of the organizations strategies, with a proper leadership and the adoption of bottom up strategy development, the impact can be reduced.

5.4 Recommendation

This study makes several recommendations for policy implementation and also suggest for further research.

5.4.1 Recommendations with policy Implication

Foremost, the study established that the Equity bank strategic alignment approach is top-down and this approach was found to exclude most of the staff in getting involved in such important exercise. As a result it recommended that the organizational strategy should be all inclusive and preferably a bottom up approach is adopted and although it might be expensive, its cost benefit analysis will suggest the approach. What this means is that the process of organizational alignment should be all inclusive to both internal and selected external stakeholders who will be affected by the alignment process and this move will reduce the level of expected resistance level.

Secondly, the study found out that the strategic alignment process is in a firm is time and resource consuming exercise. There is need therefore that the exercise is done when the organization is completely convinced of the benefits that will arise from the strategy and also enough resources need to be availed before it is started to avoid waste resources because of the expense become sunk upon being incurred. A cost benefit analysis will also be recommended to be undertaken to establish the viability of the process. At the same time, it is noted that, before making large-scale investments in a given process it is recommended that the relevant customer segments be identified and that attempts should be made to predict the development of their sizes.

5.4.2 Recommendations for further research

The study confined itself to Equity bank (Ltd) and the findings may not be applicable in other sectors or even other firms operating in the industry. It is therefore recommended that the study is replicated in other local banks and also other firms in other industries to facilitate comparison between the two different firms. A study is also recommended to be undertaken on the effect of an organizations strategic alignment on the financial performance before and after the adoption of the alignment.

5.4 .3 Limitation of the Study

The study only concentrated with the major micro finance institutions that operate in Kenya at present. The study did not cover all the micro finance institutions and still all the institutions do not have the same financial constraints and therefore the extent of their loan disbursement will vary. In addition some MFIs are wholly or to a great extent financed by donors and as a result the challenges that they will be facing different degrees of financial constraints.

In addition the study did not differentiate between the sizes of the micro finance institution. This is because different MFIs will be facing different financial constraints depending on their sizes and also depending on the age of existence of the same. A well established MFI that has been in operation for a long period of time will be expected at the same time to have accumulated adequate capital and internal mechanism of disbursing the loans and therefore their level of financial constraints will vary.

Further the study concentrated with micro finance institutions and it would have been preferable to compare its results with those of commercial banks especially in tier three of the central bank classification whose capital base and operations is still low. It is therefore limited in scope and there is need to cover more than one type of the financial institution in order to get a more representative result. In addition, the time constraint was the other limitation faced by the researcher and there is need of a more exhaustive research to be undertaken that will involve more funding and time coverage.

REFERENCES

Agarwal, R., and V. Sambamurthy (2009) "Editor's Comments", MIS Quarterly Executive, (8) 1, pp. iii-iv.

Avison, D., Jones, J., Powell, P., and Wilson, D. (2004).Using and validating the strategic alignment model.*The Journal of Strategic Information Systems, 13*(3), 223-246.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal ofManagement, 17* (1), 99-120.

Benbya, H. and McKelvey, B. (2006). “Using Coevolutionary and Complexity Theories to Improve IS Alignment: A multi-level approach”, *Journal of Information Technology* 21(4): 284–298.

Boar, B. H. 1994. Logic and information technology strategy: Separating good sense from nonsense. *Journal of Systems Management* 45 (5): 16-21.

Calhoun, K. J., and Lederer, A. L. (1990).From strategic business planning to strategic information systems planning: The missing link.*Journal of Information Technology Management* 1(1): 1-5.

Chan, Y. E. and Reich, B. H. (2006). "IT Alignment: What Have we Learned?," *Journal of Information Technology*, 22(4). 297-315.

Day, M., and Lichtenstein, S. (2006), "Strategic supply management: the relationship between supply management practices, strategic orientation and their impact on organizational performance", *Journal of Purchasing & Supply Management*, Vol. 12 No.6, pp.313-21.

D’Souza, D., and Mukherjee, D. (2004).Overcoming the challenges of aligning IT with business.*Information Strategy: The Executive’s Journal, 20*(2), 23-31.

Feeny, D., Edwards, B., and Simpson, K. (1992).Understanding the CEO/CIOrelationship.*MIS Quarterly*, *16*(4), 435- 448.

Gandolfi, F. (2007), "The conceptualization of management development and competitive advantage: the emergence of two conceptual frameworks", *International Journal of Management and Enterprise Development*, Vol. 4 No.5, pp.562-74.

Guttman, H.M. (2004). Alignment Unplugged – Bring your talented people together.*Executive Excellence*, pp. 17 – 18.

Hagel, J., Singer, M. (2009), "Unbundling the corporation", Harvard Business Review, No.March-April, pp.133-41.

Henderson J. C. and Venkatraman N. (2003) Strategic Alignment: A Model for Organizational Transforming via Information Technology, Oxford University Press, New York.

Hult, G.T.M., Olson, E.M., and Slater, S.F. (2007), "The performance implications of fit among business strategy, marketing organization structure, and strategic behavior", *Journal of Marketing*, Vol. 69 No.3, pp.49-65.

Hu, Q. and Huang, C.D. (2004).Integrating web services with competitive strategies: the balanced scorecard approach.*Communications of the Association forInformation Systems*, Vol. 13, pp. 181 – 204.

Johnson, A. M. and Lederer, A. L. (2010). "CEO/CIO Mutual Understanding, Strategic Alignment, and the Contribution of IS to the Organization," *Information & Management*, 47(3). 138-149.

Kaplan, R.S. (2005), "How the balanced scorecard complements the McKinsey 7-S model", *Strategy & Leadership*, Vol. 33 No.3, pp.41-6.

Khandelwal, V. K. 2001. An empirical study of misalignment between Australian CEOs and IT managers.*Journal of Strategic Information Systems* 10 (1): 15-28.

Luftman, J., Papp, R., and Brier, T. (1999).Enablers and inhibitors of business-IT alignment.Communications of the Association for Information Systems, 1(11), 1-32.

Luftman, J.N. (2003). *Competing in the Information Age: Align in the Sand.*SecondEdition, New York: Oxford University Press.

Oana, V. (2010).Strategic alignment of ERP implementation stages: An empiricalinvestigation. Information and Management, 47(3), 158-166.

Oh, W., and Pinsonneault, A. (2007), "On the assessment of the strategic value of information technologies: conceptual and analytical approaches", MIS Quarterly, Vol. 31 No.2, pp.239-65.

Peppard, J., and Ward, J. (2004). Beyond strategic information systems: Towards and IS capability. *Journal of Strategic Information Systems*, *13*, 167-194.

Porter, M.E. (1980), *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, The Free Press, New York, NY.

Porter, M.E. (1985), *Competitive Advantage*, The Free Press, New York, NY,

Porter, M.E. (1996), "What is strategy?" *Harvard Business Review*, Vol. 74 No.6, pp.61-78.

Porter, M.E., and Miller, V.E. (2005), "How information gives you competitive advantage", Harvard Business Review, pp.149-60.

Premkumar, G, and W. R. King. (1992). An empirical assessment of information systems planning and the role of information systems in organizations. *Journal of Management Information Systems* 9 (2): 99-125.

Rivard, S., Raymond, L., and Verreault, D. (2006), "Resource-based view and competitive strategy: an integrated model of the contribution of information technology to firm performance", *Journal of Strategic Information Systems*, Vol. 15 No.1, pp.29-50.

Sheldon, P. (2007), Tourism Information Technology, CAB, Oxford.

Silvius, G. (2007), “Business & IT alignment in theory and practice”, in IEEE proceedings of the 40th Hawaii international conference on System Science.

Stewart, R.A. (2007), "IT enhanced project information management in construction: pathways to improved performance and strategic competitiveness", Automation in Construction, Vol. 16 No.4, pp.511-17.

Sledgianowski, D., and Luftman, J. (2008). IT-business strategic alignment maturity: Acase study. *Journal of Cases on Information Technology, 7*(2), 102-120.

Tallon, P and Kraemer, K. (1998), “A process – oriented assessment of the Alignment of Information systems and business strategy: Implication for IT Business Value,” in: Proceedings of the Association for Information Systems Americas Conference, Baltimore, Maryland.

APPENDICES

APPENDIX I: INTERVIEW GUIDE

The interview guide will seek to achieve the following objective;

1. To establish how strategic alignment at Equity Bank acts as a source of competitive advantage.

2. Determine the challenges that Equity Bank faces in the use of strategic alignment as a competitive tool.

Part A: Background Information on the interviewees

- What current position in the organization do you hold?
- For how long have you been holding the current position?
- What is the highest level of education you have received?

Part B: Strategic alignment as a source of competitive advantage

1. Has the bank ensured that there is alignment between its information technology capabilities and business strategies?
2. How has the bank been able to create competitive advantage through external alignment with business environment and internal alignment with resources and infrastructure?
3. Did the bank ensure that there is alignment before information system can be chosen and diffused to achieve maximum IT effectiveness andto support business strategies?
4. How has strategic alignment in the bank build strategically viable advantage that will provide it with increased visibility, efficiency, profitability to operate in today's ever changing markets, respond more quickly to dynamic and changing business environments?
5. How has strategic alignment assisted the bank to be competitive and high performing, by targeting IT in areas critical to successful and improved business performance?
6. Did the availability of different IT resources and capabilities result to the banks competitive advantage?
7. Did the business-IT alignment provided direction and organizational flexibility that allowed the bank to respond to environmental threats and opportunities?

8. Did the business-IT alignment allow the bank to leverage organizational knowledge and expertise inherent in the existing management infrastructure resulting in a competitive advantage that will positively affect the bank's performance?
9. Does the bank ensures that there is continuous alignment between IT and strategic business objectives, as there is no explicit or single way of achieving and maintaining strategic alignment?
10. How has the bank reaped the advantage of information systems strategic utilization through the alignment of informationsystems plan and business plan?
11. Is there a shared understanding of organizational goals and objectives by managers at various levels and within various units of the organizational hierarchy in order for alignment to achieve its objectives?
12. Has the banks' ability to acquire and deploy resources that are coherent with the organization's competitive needsresulted in it seeking and maintaining competitive advantage?

Part C: Challenges faced in the use of strategic alignment as a source of competitive advantage

1. How does lack of common understanding of the concept of strategic alignment, dependence on classical assumptions for strategic planning process, and/or ad-hoc IT investments in the bank results to misalignment of business and IT?
2. What effect does misalignment leads to?
3. What effect does alignment of business and IT by the bank have on the achievement of competitive advantage?
4. How does a change in one domain affect alignment of bank's business and IT strategies?
5. How does lack of integration between specific management practices and strategic IT choices affect alignment of IT strategies with its business strategies?
6. Is there understanding among all the levels in the bank on the benefits derived from IT so as to facilitate the potential for complete alignment and improve their ability to gain business value from investments in IT?
7. What effect does complex and dynamic nature of business environments have on the banks' ability to attain and sustain strategic alignment?
8. Are there adequate structures andprocesses to ensure success of IT in the bank?

9. How do values and beliefs of the bank's members affect the alignment of business and IT strategies?
10. How does the relationship between business managers and IS managers affect success of business and IT strategies alignment?