CHALLENGES OF IMPLEMENTING CORPORATE
RESTRUCTURING AT KCB BANK GROUP LTD

BY

WACHIRA BONFACE K.

A Research Project Submitted in Partial Fulfillment of the requirements
for the award of Master of Business Administration Degree (MBA),
School of Business, University of Nairobi

November, 2011
DECLARATION

This research project is my original work and has not been presented for any academic award.

Signed: ...........................................

Date: Nov. 09th, 2011

WACHIRA BONFACE K.

D61/ 60472/ 2010

To my parents Cyrus and Siphila for their continued love, care and courage that this is not just a journey that we are on, but a lesson in life that we have to have a strong mind and courage to overcome and achieve anything, I salute you both.

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

Signed: ...........................................

Date: 2/11/2011

DR. VINCENT MACHUKI

Lecturer, Department of Business Administration
School of Business,
University of Nairobi.
ACKNOWLEDGEMENTS

To the Almighty Father through whom all things come to pass, I could not have managed on my own but through your omnipresent love, strength, grace, and mercy; I have made a breakthrough.

To my parents Cyrus and Siphira for their continued love, care and courage that this is not just a journey that we have to go through but a lesson in life that we have to have a deep foundation in order to build a tall building. To my friends and colleagues at work especially Rael, Shadrack, Teddy, and Daniel for their constant support both at work and outside the office and encouraging me to continue pushing forth. It is through your mentoring that I was convinced that am not in this journey alone. I salute you all.

To my supervisor Dr. Vincent Machuki who has guided me very well and has dedicated his precious time to this project not only to see it sail through but to develop me. Your thoroughness cannot go unrecognized which has immensely contributed to the completion of this wonderful academic project. Whenever I felt like giving up, you were there to show the way which is very kind of you. I really appreciate you Dr. Machuki.

I also acknowledge all the senior management staff of KCB Bank Group for willingly availing themselves for interviews which have gone a long way in easing my data collection. You have been of great help to me and I will be forever grateful to you all.
DEDICATION

I dedicate this research project to my supervisor Dr. Machuki, you have taught me to be thorough in whatever I do, to analyze and conceptualize issues, this has added me the ability to synthesize and simplify complexities.

I dedicate this research project to all the directors of KCB Bank Group Ltd, you have provided me with the information space that is now a knowledge base that will be used by other scholars, researchers, and any other organisation that is faced with a similar project of transformation or restructuring. We now know how to handle challenges and how to prepare for them.

I also dedicate this research project to the University of Nairobi, School of Business for providing all the necessary support that I needed in preparing to carry out my research while carrying out my research. This has indeed contributed to my personal growth and has expanded my knowledge base.
Corporate restructuring is a stage in strategy implementation where organizational managers attempt to recast their organizations, the organizational structure, leadership, culture, and reward system may all be changed to ensure cost competitiveness and quality demanded by the unique requirements of its strategies. Corporate restructuring is therefore aimed at reorganizing the organization from its current state which is viewed to be inefficient to one that is not only cost effective but also has a competitive advantage in the industry. The study has examined the challenges that KCB Bank Group Ltd has been facing in the implementation of the strategy of corporate restructuring, how these challenges have been managed guided by the bank’s key restructuring aim. The research was conducted on a case study research design focusing on KCB Bank Group that has just completed its first phase of the restructuring implementation process. Data was collected using a structured personal interview with the senior management members of staff of the bank. The study has established that the implementation process has faced a number of challenges which are not unique in the industry; these challenges are both behavioral and systemic. However, these challenges have been managed and the bank has used various measures inorder to manage these challenges. It can also be noted that the bank is optimistic that she will break through these challenges and emerge successful in realizing her key transformation goals which are to be a leaner and more efficient organisation with the aim of increasing her profitability and growth both locally and in the subsidiaries. On analyzing the data collected, it can be concluded that the bank so far is on track but more emphasis is needed on the behavioral challenge management since human beings in all organisations are the main cogs in the organizational production process. The bank has heavily invested in a strong technology infrastructure which will greatly support in the management of the systemic challenges. The researcher recommends that more study requires to be carried out in this field of corporate restructuring moreso at KCB Bank Group Ltd to establish whether the bank has realized its dreams, how the organisation has been fairing in the implementation process, and finally how different the organisation is from other organisations in the same industry and the progresses made.
# ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATM</td>
<td>Automated Teller Machine</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>COO</td>
<td>Chief Operating Office</td>
</tr>
<tr>
<td>DBK</td>
<td>Development Bank of Kenya</td>
</tr>
<tr>
<td>EPS</td>
<td>Earnings Per Share</td>
</tr>
<tr>
<td>IPO</td>
<td>Initial Public Offer</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KCB</td>
<td>Kenya Commercial Bank</td>
</tr>
<tr>
<td>KES</td>
<td>Kenya Shillings</td>
</tr>
<tr>
<td>M &amp; As:</td>
<td>Mergers and Acquisitions</td>
</tr>
<tr>
<td>MIS</td>
<td>Management Information Systems</td>
</tr>
<tr>
<td>PC</td>
<td>Personal Computer</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>TAT</td>
<td>Turn-Around Time</td>
</tr>
</tbody>
</table>
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>iii</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>iv</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>v</td>
</tr>
<tr>
<td>ACRONYMS AND ABBREVIATIONS</td>
<td>vi</td>
</tr>
<tr>
<td><strong>CHAPTER ONE: INTRODUCTION</strong></td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of the study</td>
<td>1</td>
</tr>
<tr>
<td>1.1.1 Strategy Implementation</td>
<td>2</td>
</tr>
<tr>
<td>1.1.2 Corporate Restructuring</td>
<td>3</td>
</tr>
<tr>
<td>1.1.3 Kenya commercial Bank Group Limited</td>
<td>5</td>
</tr>
<tr>
<td>1.2 Research Problem</td>
<td>7</td>
</tr>
<tr>
<td>1.3 Objectives of the Study</td>
<td>9</td>
</tr>
<tr>
<td>1.4 Importance of the Study</td>
<td>9</td>
</tr>
<tr>
<td><strong>CHAPTER TWO: LITERATURE REVIEW</strong></td>
<td>11</td>
</tr>
<tr>
<td>2.1 Concept of Strategy</td>
<td>11</td>
</tr>
<tr>
<td>2.2 Strategy Implementation</td>
<td>12</td>
</tr>
<tr>
<td>2.3 Corporate Restructuring</td>
<td>13</td>
</tr>
<tr>
<td>2.4 Rationale for Corporate Restructuring</td>
<td>14</td>
</tr>
<tr>
<td>2.5 The Principles of Corporate Restructuring</td>
<td>16</td>
</tr>
<tr>
<td>2.6 The Process of Corporate Restructuring</td>
<td>18</td>
</tr>
<tr>
<td>2.7 Implementing Corporate Restructuring</td>
<td>20</td>
</tr>
<tr>
<td>2.8 The Tools of Corporate Restructuring</td>
<td>22</td>
</tr>
<tr>
<td>2.8.1 Mergers and Acquisitions (M&amp;A)</td>
<td>23</td>
</tr>
<tr>
<td>2.8.2 Divestitures, Spin-offs, and Carve-outs</td>
<td>24</td>
</tr>
<tr>
<td>2.9 Challenges of Corporate Restructuring</td>
<td>26</td>
</tr>
</tbody>
</table>
# CHAPTER THREE: RESEARCH METHODOLOGY

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Introduction</td>
<td>28</td>
</tr>
<tr>
<td>3.2 Research Design</td>
<td>28</td>
</tr>
<tr>
<td>3.3 Data Collection</td>
<td>29</td>
</tr>
<tr>
<td>3.4 Data Analysis</td>
<td>29</td>
</tr>
</tbody>
</table>

# CHAPTER FOUR: FINDINGS AND DISCUSSIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1 Introduction</td>
<td>31</td>
</tr>
<tr>
<td>4.2 Corporate Restructuring at KCB Bank Group Ltd</td>
<td>31</td>
</tr>
<tr>
<td>4.3 Challenges in the Implementation of Corporate Restructuring at KCB Bank Group Ltd</td>
<td>37</td>
</tr>
<tr>
<td>4.5 Managing Corporate Restructuring Challenges at KCB Bank Group</td>
<td>39</td>
</tr>
</tbody>
</table>

# CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Introduction</td>
<td>43</td>
</tr>
<tr>
<td>5.2 Summary</td>
<td>43</td>
</tr>
<tr>
<td>5.3 Conclusion</td>
<td>44</td>
</tr>
<tr>
<td>5.4 Recommendations for Policy and Practice</td>
<td>46</td>
</tr>
<tr>
<td>5.5 Limitations of the Study</td>
<td>48</td>
</tr>
<tr>
<td>5.6 Suggestions for Further Research</td>
<td>48</td>
</tr>
</tbody>
</table>

# REFERENCES

50

# APPENDICES

53

Appendix One: Personal Interview Guide | 53
Appendix Two: Letter of Introduction | 54
Appendix Three: University Introduction Letter | 55
1.1 Background of the Study

Organizations, depending on their nature of their business, structure, and size employ different strategies in order to achieve their desired level of output. The organisations therefore must implement the right strategies that they have formulated if the desired performance level is to be achieved. Some of the strategies include; corporate restructuring, cost cutting, mergers and acquisitions, diversification, divestitures among others. Therefore, those organisations that actively manage their business portfolios through acquisitions and divestitures create a substantially more shareholder value than those kept in a fixed business line-up (Thompson and Strickland, 2008).

According to Johnson and Scholes (2002), a restructuring organisation requires a restructurer who identifies and maximizes the restructuring opportunities in business. This means that they are able to identify the problem and its root causes, and are capable of formulating the best approach to counter the problem and any other issue arising out of the problems. Corporate restructuring plays a versatile role to the business firm by creating value in the midst of integration of the global markets which are competitive and highly dynamic. It empowers companies address poor performance, pursue new strategic opportunities and attain credibility in the capital markets. The process has a great impact on the firms’ market share.
1.1.1 Strategy Implementation

Strategy implementation is the most important stage in the strategy process. According to Wheelan and Hunger (2008), strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan that has been formulated and agreed upon. It is also the process by which objectives, strategies, and policies are put into action through the development of programs, budgets and procedures, (Wheeler and Hunger, 2008). Strategy is putting the formulated strategy into action or where the action is as defined by Pearce and Robinson (2010). Once strategies have been developed, they need to be implemented in order for their benefits to be actualized in the organisation. According to Thompson and Strickland (2003), strategy implementation is putting action into the chosen strategy.

Strategy implementation entails the conversion of the strategic plan into action, and then into the desired results (Strickland, Gamble, & Thompson, 2008). An organisation's strategy is considered successful when the organisation is able to achieve organizational objectives and the targeted levels of financial performance. This involves establishing programs to create a series of organizational activities, budgets, to allocate funds to the new activities and procedures to handle the day to day details (Wheelan & Hunger, 2008). Since an organisation's strategy is long-term, its implementation involves a specific action plan which must be implemented in a manner that is consistent or fits the organisation's requirements (Thompson and Strickland, 2003). This implies that the short-term objectives and actions guide the implementation by converting the long-term objectives into short-term actions and targets. Functional tactics are therefore needed which can be internal or outsourced and their primary purpose is to translate the business
strategy into activities that build the organisation’s advantage. Policies are also needed as they empower the operating personnel by defining guidelines for decision making. To achieve effective and positive results, the organisation needs a proper reward system.

The importance of strategy implementation is primarily to gear the firm towards achieving positive synergy among the divisions and functional areas in order to establish and maintain the organisation’s distinctive competence, (Wheelan & Hunger, 2008). This has the effect of turning around the organisation from loss making, or below optimal performance to levels of high profitability, which gives the firm a high market share value as well as gaining competitive advantage over its rivals.

1.1.2 Corporate Restructuring

Restructuring generally refers to the reorganization of the corporate operations to achieve higher levels of operating efficiency. Pearce and Robinson (2010) viewed corporate restructuring as a stage in strategy implementation where managers attempt to recast their organizations. The organizational structure, leadership, culture, and reward systems may all be changed to ensure cost competitiveness and quality demanded by the unique requirements of its strategies.

Corporate restructuring involves the elimination of non-core businesses and business processes, the consolidation of related operations and business functions and, to a great extent, reengineering of existing processes. According to Mintzberg and Quinn (1991), corporate restructuring involves frequently changing the organizational management team, shifting strategy, or infusing the organisation with new technology that the
company may follow up on new acquisitions or businesses in order to build a critical mass, and selling off unneeded or unconnected parts and thereby reduce the effective acquisition cost. According to (Strickland, Gamble, & Thompson, 2008), corporate restructuring involves divesting some businesses and acquiring others so as to put a whole new face in the company’s business line-up. Restructuring can also be mandated by the emergence of new technologies that threaten the survival of one or more of a diversified company’s businesses and in some instances, with the appointment of a new Chief Executive Officer (Strickland, Gamble, & Thompson, 2008).

Corporate restructuring has enabled organizations globally respond more quickly and effectively to new opportunities and unexpected pressures, thereby re-establishing their competitive advantage. The competitive advantage established by the restructuring organisation is grounded on reorganizing its business processes and ensuring that it is in the best position to compete while building best practices and internal process that propel it above its competitors. This eventually makes the firm able to adapt quickly and prepares it for quick combating the competitors (Gilson, 2010). He further argues that organizations restructure to support corporate strategy or to take advantage of a business opportunity. Restructuring equips the firm with requisite competences needed to capture opportunities that present themselves in the operating environment through leadership in focused value. Gordon (1994), contends that restructuring institutes higher levels of operating efficiency and effectiveness of the organisation.
1.1.3 Kenya Commercial Bank Group Limited

The Kenya Commercial Bank Group has undergone several changes since it was founded and has a long history. Kenya Commercial Bank Group was founded in 1896 and was known as The National Bank of India and had its headquarters in Mombasa. It started its operations in Nairobi in 1904 since it was the headquarters of the Uganda Railway. In 1958, Grindlays Bank merged with The National Bank of India to form the National and Grindlays Bank and this is when restructuring the bank started. In 1963, after independence, the government of Kenya acquired 70% of the shareholding in the National and Grindlays Bank. In 1970, the government acquired 100% shareholding in the bank and took full control of the bank and was renamed to Kenya Commercial Bank. It also became the largest commercial bank in Kenya (KCB Bank Group, 2011).

Over the years, the government reduced its stake in the institution to 35%. Most recently, the government reduced its shareholding to 26.2% through a rights issue and raised Kes. 2.45 billion in capital for the bank. In 2008, the government reduced its shareholding to 23.1% after raising Kes. 5.5 billion through another rights issue. In 2010, the government through a third rights issue reduced its share to 17.7% and raised Kes. 12.5 billion. The bank started strategic corporate restructuring in 2003; this program was implemented over a period of three years and the bank started registering positive pre-tax and after tax income. Today, the bank is implementing a major restructuring that is expected to run for five years (KCB Bank Group, 2011).

KCB Bank Group Ltd today is the largest bank in asset capitalization and also the largest locally owned bank not only in Kenya but also in the Eastern African region. The bank is
also considered to be the best local bank in East and Central Africa as a result of the 2010 Central Bank of Kenya survey. KCB Bank Group Ltd is also the largest local bank with regional presence in the Eastern African region with 5 subsidiaries and more than 35 branches spread in all the Eastern African countries save for Somalia and Ethiopia, the bank has 221 branches spread across the region. The bank has however been unable to take advantage of its strengths to steer its performance to the top.

The major issues affecting the bank include a bloated workforce especially at the management level, low levels of customer service despite being the best training bank in the region, frequent cases of fraud and forgeries, and also the most risk averse bank in the region. All these issues can be attributed to its many procedures and policies when it comes to accessing bank products especially credit facilities. KCB Bank Group Ltd has realized that it does not require such a huge number of top level managers and few support staff but vice versa. Such a structure makes the bank spend a lot of finances in salaries and other benefits to these staff who contribute very little to profitability. Also the bank has few seven departments compared to 21 directors. The major departments that greatly contribute to profitability of the bank are fewer than the number of managers which means that some managers really do not have roles to play in the bank.

The bank is now implementing a transformation program which will change the bank from the originally old generation organisation to a modern organisation where customer service is customized to meet their needs, and roles will be rationalized. The theme of this transformation process is to change the organisation from a good organisation to a great enterprise. This has led to the restructuring program that the bank is currently implementing with technical assistance from McKinsey and Company, an international
corporate restructuring consultant. This means that the KCB Bank Group Ltd is ready to go through the whole process of corporate restructuring since it wants to achieve a higher level of profitability. With KCB Bank Group Ltd engaging a restructuring expert, and starting to implement and going to the media to announce what they are implementing, means they are ready to undergo through the whole process however painful it may be.

1.2 Research Problem

Corporate restructuring entails any fundamental change in a company's business or financial structure, designed to increase the company's value. It is the process through which a company radically alters the contractual relationships that exists among its creditors, shareholders and other related parties (Gilson, 2010). The process is geared towards increasing of the economic viability of the underlying business model. Corporate restructuring is a contemporary solution issue to managing and anticipating change (Acharya, 2009). He further notes that restructuring tackles issues of economic, social and environmental significance simultaneously. Firms must continuously adapt to market trends and pressures in order to maintain a competitive advantage. Downsizing, outsourcing and layoffs are all parts of the traditional response to the fragile economic climate and uncertainties. While training breaks, expansion by mergers and acquisitions, job sharing skills, and remote working are some of the contemporary restructuring approaches that are employed to tackle and address fragile economic and uncertainties.
KCB Bank Group Ltd is undergoing through a restructuring process also known as transformation with the vision of being the preferred financial solutions provider in Africa with a global reach. To realize this vision KCB Bank Group Ltd has laid out a restructuring roadmap inorder to be competitive and ultimately beat the competition. Corporate restructuring an organisation is grounded on the notion that the organisation needs to do what is necessary to end its underperformance. This in turn protects the organisation from collapse and being rendered obsolete by another organisation. KCB Bank Group Ltd is today restructuring and it wants to be the pan African market leader in financial services. The bank is also keen to increase its efficiency levels with an interest in increasing its exposure in the small and medium enterprise (SME) market in the region.

A number of scholars and researchers have studied corporate restructuring and implementation of strategic change in many organizations in Kenya and they have revealed why they need to change urgently if they are to remain competitive in their specific industries. Nadwa (2010) focused on the factors that influence the implementation of strategic change at Development Bank of Kenya (DBK). Kisingu (2007) studied the relationship between managerial skills and efficiency in commercial banks with a focus on how the managers' skills help to determine their efficiency levels and that of the bank. Machuki (2005) studied the challenges that a motor vehicle industry faces in implementing its strategies with a focus on CMC Motors. Kiptugen (2003) studied how commercial banks respond to a changing external environment. Nadwa (2010) focused her study on a small private commercial bank whose regional presence in terms of branch coverage is limited. Kisingu (2007) did not solve the problem of how we
can restructure an organisation to enable the organisation managers be more efficient and increase the organisation’s profitability. Machuki (2005) the study did not provide answers as to how we can structurally equip a service industry organisation in order to remain competitive with the fast changing operating environment notwithstanding. Kiptugen (2003) did not provide a clear formula on how to equip the organisation prior to that fast changing phase of the environment. This study seeks to establish the challenges that KCB Group Ltd is facing in the implementation of corporate restructuring and how these challenges are being managed. With their studies, we identify a knowledge gap that we need to seal and answer the question; What are the challenges of corporate restructuring and how have they been managed in order to drive the organisation towards achieving the desired objectives?

1.3 Objectives of the Study

The objectives of the study will be to establish:

i. The challenges faced by KCB Group Ltd in implementing corporate restructuring.

ii. Measures adopted by KCB Group Ltd in dealing with these challenges.

1.4 Importance of the Study

The study will be very important to many parties especially scholars and researchers. By studying the implementation of such a strategy in such a big corporation, the study will be a point of reference for many scholars and researchers who are studying or planning to study strategy implementation in the realm of corporate restructuring in a large financial
institution. This study will offer a modern restructuring model for many institutions and thus contribute to the importance of further research, superior performance, and growth of the industry.

The study will also benefit the organizational leaders as they will have a chance to get an objective observation, analysis, criticism, and opinion from a business researcher who is neither party to the organisation nor to the process itself. The study will also be of importance to the national government and its agencies. They will get a chance to understand and accept that “sometimes parts are better than a whole” especially when fully utilized and with the right structures in place. Today the main issue in many corporations is cost reduction but how to reduce the cost is not very clear. This study will determine how an organisation can reduce its costs and operate on a leaner and more effective structure.

The study will greatly contribute in the advancement of more knowledge and its application to the existing body of knowledge in the field of corporate restructuring. It will also assist in the formulation of more advanced theories that will lead to an easier understanding of the concepts involved in this field of study.
CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

Strategic management advanced from strategic planning which was widely practiced from 1960s through to the 1980s. Strategic planning is the systematic and formalized effort of a company to establish basic company purposes, objectives, policies, and strategies (Bateman & Zeithmal, 1990). Further, strategic planning involves futurity of the current decisions whereby it takes into account the chain of cause and effect consequences overtime of actual and intended decisions (Steiner, 1979). Strategic planning from the 1960s to the early 1980s often emphasized a top down approach to goal setting, a process that involved the senior management and planning staff or consultants. A wide gap often developed between the strategic managers and operational managers and the employees who would feel alienated and hence lose commitment to the process. These problems and rapidly changing environment in the 1980s forced the executives to look at all levels of their firms for ideas and innovations. This resulted to modern strategic management, a process that involves managers from all parts of the organisation in the formulation and implementation of strategic goals (Bateman & Zeithmal, 1990).

Strategic management is the art of drafting, implementing, and evaluating cross-functional decisions that will enable an organisation to achieve its long term objectives (David, 2003). Strategic management consists of decisions and actions used to formulate and implement strategies that provide a competitively superior fit between the
organisation and its environment to enable it achieve organizational goals (Hamannan, 2002). A basic model of strategic management presented by (Wheelan & Hunger, 2008) entails environmental scanning, strategy formulation, strategy implementation, and evaluation. It is a process that integrates planning and management into a single process which includes internal assessment, environmental analysis, strategy formulation, strategy implementation, and strategic control. Thus the process can be looked at mainly as a combination of strategy formulation, strategic implementation, and control (Pearce & Robinson, 2010).

2.2 Strategy Implementation

Strategy implementation is walking the talk or where rubber meets the road. Wheelan and Hunger (2008), defined strategy implementation as the sum total of the activities and choices required for the execution of a strategic plan that has been formulated and agreed upon. It is also the process by which objectives, strategies, and policies are put into action through the development of programs, budgets and procedures, (Wheeler and Hunger, 2008). An organisation’s strategy is considered successful when the organisation is able to achieve organizational objectives and the targeted levels of financial performance. This involves establishing programs to create a series of organizational activities, budgets, to allocate funds other necessary resources to the new activities and procedures to handle the day to day details (Wheeler and Hunger, 2008).

Since an organisation’s strategy is long-term, its implementation involves a specific action plan which must be implemented in a manner that is consistent or fits the
organization's requirements (Thompson and Strickland, 2003). This implies that the short-term objectives and actions guide the implementation by converting the long-term objectives into short-term actions and targets. Functional tactics are therefore needed which can be internal or outsourced and their primary purpose is to translate the business strategy into activities that build the organisation's advantage.

The importance of strategy implementation is primarily to gear the firm towards achieving positive synergy among the divisions and functional areas in order to establish and maintain the organisation's distinctive competence, (Wheelan & Hunger, 2008). This has the effect of turning around the organisation from loss making, or below optimal performance to levels of high profitability, which gives the firm a high market share value as well as gaining competitive advantage over its rivals.

2.3 Corporate Restructuring

Corporate restructuring entails any fundamental change in a company's business or financial structure, designed to increase the company's value, (Gilson, 2010). It is the process through which a company radically alters the contractual relationships that exist among its creditors, shareholders and other related parties. The process must lead to increasing of the economic viability of the underlying business model.

The principal reason for corporate restructuring is to ensure that the business is in a position to achieve its strategic objectives (Gilson, 2010). The need is grounded in the conception that, as the firm evolves it will encounter a number of influencing factors such as new markets, changes in demand or the need to improve working practices and
processes internally. Restructuring, therefore, from a business perspective, is viewed as a whole integrated commercial sound decision, focusing on optimization, elimination of task duplication and reducing costs.

Corporate restructuring is a stage in strategy formulation at the implementation stage which is a process and not an event as may be perceived by many. Corporate restructuring plays a versatile role to the business firm by creating value in the midst of integration of the global markets which are competitive and highly dynamic. As postulated by Johnson and Scholes (1999), corporate restructuring as a strategy must reflect the direction and scope of the organisation over the long-term which achieves advantage for the organisation through the configuration of resources within a changing environment to achieving the strategic objectives of the organisation. It empowers companies address poor performance, pursue new strategic opportunities and attain credibility in the capital markets. The process has a great impact on the firms’ market share.

2.4 Rationale for Corporate Restructuring

Throughout all the studies conducted in the field corporate restructuring, there is a general consensus that there are various factors that prompt corporate restructuring among organisations. (Nadwa, 2010), who studied the factors influencing implementation of strategic change at Development Bank of Kenya, found out that there are various critical factors that make an organization undergo change and restructure. These factors
are perceived to be inescapable for those who have a vision for organizational progression.

The aim of corporate restructuring lies in achieving the long run goal of wealth maximization. It generates value gains for shareholders along with creating and maintaining the overall market value of business enterprise. In concurrence with (Myat, 2008), the desired results and mechanisms that are employed by the organization during restructuring are informed by the unique environmental conditions that face the entity enforcing this programme.

According to Gilson (2010), the need to address poor financial performance enhances the need for corporate restructuring. Declining sales, accounting losses or a falling stock price are the silent calls for corporate restructuring to reverse the condition. (Gilson, 2010), further argues that the rationale for corporate restructuring is for the restructuring firm to correct a large error in how it is valued in the capital market. This problem is prevalent in large diversified companies that operate in many businesses. Tracking stock, buybacks or leverage buyouts are some of the restructuring tools that can be capitalized on to reduce this value gap.

Corporate restructuring is of essence when a firm has grown to the point that the original structure can no longer efficiently manage the output and general interests of the company (Myat, 2008). For instance, corporate restructuring may be called for as a means of creating a more effective management model as well as taking advantage of tax breaks, which would allow the firm to direct more revenue to the production process.
Restructuring in this case is seen as a positive sign of growth of the company and is often welcome by those who wish to see corporation gain a larger market share.

Preservation of commercial morality of an entity is another goal for restructuring. In this case a firm seeks restructuring when it is unable to satisfy its debts, when they fall due without affecting its ability to continue doing business (Ansoff & McDonnel, 1990). Preservation of commercial morality option restricts employing insolvency as an easy solution for those who can bear with the composure and the disgrace of their own failure.

Myatt (2008) stresses that restructuring effectiveness depends on leadership recognizing, taking ownership over, and acting to correct strategic or tactical business mistakes and/or realigning elements of the firm with current or anticipated changes in market condition. Finally the driving force during restructuring should lie in the conception that a firm that restructures is theoretically leaner, more efficient, better organized, and better focused on its core business with a revised strategic and financial plan.

2.5 The Principles of Corporate Restructuring

Corporate restructuring provides a powerful strategic avenue for distressed companies to resolve financial and operational problems and to navigate through terrible economic times (Carson, 2010). The strategic managers have to be aware and be able to utilize the five principles for a successful corporate restructuring, these guiding principles according to Carson (2010) can help managers and their professionals to streamline the
Restructuring, minimize time and costs associated with the process, and maximize the outcome for all involved.

Restructuring is both a science and an art, managers should be smart and must seek consultancy from experienced restructuring professionals (Carson, 2010). These professionals should have wide and necessary experience in managing, and dealing with the dynamics and complexities of the corporate restructuring process. The recognized authorities in the restructuring industry can guide the company expeditiously in negotiating and consummating the transactions (Carson, 2010). From pre-planning to emergence, companies can achieve their goals in a relatively quick period of time with strategic planning and speedy execution. A timely emergence is often successful.

Information should be efficiently organized from planning through execution, organization information is very critical at all times. (Carson, 2010), all key information should be clearly accessible to help expedite the process, and easily locate and retrieve the data needed. Data and other information needed during this process includes: financial statements, merchant listings, and employee and retiree listings, contracts among others.

It is always important to disclose all the information. Develop a communication strategy to enable you disclose forward progress to the relevant constituents during the restructuring process; this should range from employee and vendors/ merchants to financial institutions and the media (Carson, 2010). It is critical that managers know what to say and how to say it, just as it is important to recognize the strategic relevance of the communication.
Taking care of the stakeholders’ financial insecurities into consideration when dealing with matters of this nature and amplitude, emotions run high, and a melancholic mood prevails (Carson, 2010). Be sensitive to the needs of all the stakeholders and assure them that their matters are of great significance in the process and will be addressed during the process.

2.6 The Process of Corporate Restructuring

A company reengineers its operations first by reviewing its markets and evaluating its strengths with regard to those markets. It then determines how it would operate under ideal conditions. In other words, if it were entering the business afresh, how it would operate. The process of restructuring lies in the establishing of a detailed strategy to transform the operations from as it exists today, to the ideal operations it has defined (Gordon, 1994). This process must be performed carefully to ensure the projects bearing the greatest benefits are pursued first, and that each project will have minimum adverse effect on the operations and the transformation effect.

The path to successfully turn around a distressed business can be very challenging. Kisingu (2007), studied the relationship between the managerial skills and their efficiency in commercial banks found that most managers do not possess the requisite skills to lead an organisation especially during a change era and mostly depend on the input of their juniors and their intuition. According to (Gordon, 1994) the focus is on the strategic management to take action quickly through the following four steps:
The management should clearly define the scope and what they want to achieve, the areas that will be affected, (Gordon, 1994). This is basically determining what needs to be done, what requires to be reorganized and how it will be done. The management also spells out the urgency for this activity. Also provided at this stage are; the time frame which is how long it will take to reorganize the operational activities, and the level of investigation which entails the tasks to be performed and the depth or extent to which they will be performed, and finally the expected results or deliverables. The organization also establishes the measurement of results, how they will be measured and a new organizational structure, reward and compensation. This is a very important stage in the process.

A situation analysis is needed which is an onsite assessment of the current situation as it is, (Gordon, 1994). The management reviews the cash flows of the business, the debt service, organizational capacity and the capital structure, products and services, operations, reporting lines, systems and controls, the management team. At this stage, the organisation determines the immediate needs and provides an action plan or the road map.

The organisation must prepare a recovery plan which is the stage where the organisation examines the current business activities and identifies the areas that need to be re-engineered, (Gordon, 1994). These areas will have new business processes and things change drastically. The restructuring team develops a cost reduction programme which determines the benefits that will be accrued as a result, the savings that the organisation will experience and the cost changes. To ensure that the organisation is on the right track,
it develops a clear and well defined performance measurement criterion in the light of some milestones that the organisation will be exposed to. At this stage also, the team determines the alternatives for enhancing value in the organizations which is basically delivering quality results as well as being productive as opposed to being busy. Finally the organisation establishes a negotiations programme in the development of estimates of performance. This involves the management and all the employees of that organisation.

This process according to (Gordon, 1994) is not complete without implementing the recovery plan which is the final stage in the restructuring process where the organisation focuses on the value drivers and emphasizes on those areas. The management is now involved in the organizational activities and clearly defines their responsibilities, the duties and responsibilities of all the managers as well as all the employees in the organisation. At this stage, performance is measured against plans and targets, determine the areas that need improvement by way of evaluation. The corporate restructuring professionals available assume interim key roles within the organisation if they are required; they serve the purpose of overseeing that the reorganization process takes off in the anticipated direction. At this stage, the organisation is able to establish whether they are doing what they have always desired with regards to productivity, cost reduction, savings, and higher profitability levels.

2.7 Implementing Corporate Restructuring

There are several approaches that managers can use to successfully implement corporate restructuring. Kiptugen (2003), in his study of how commercial banks respond to
changing environment established that the commercial banks implement strategies geared towards on how to deal with problems or issues as that tend to lag organizational performance behind. (Peters & Waterman, 1982), developed a framework identifying the key factors to best explain the superior performance of organisations that they studied. The framework is known as the McKinsey’s 7s framework that provides a useful visualization of the key components that all managers have to consider in successful implementation of a strategy. After a strategy is formulated, the framework suggests that managers focus on six components to ensure effective corporate restructuring which include; organisation structure, system, shared values or organizational culture, skills, styles, and staff (Pearce, Robinson, & Mital, 2010).

Noble (1991), identified five managerial factors for strategy implementation as follows: goals, organizational structure, leadership, communication, and incentives. Goals are important in for effective implementation because an effective implementation requires clear objectives. Changes in the organizational structure are often needed in the implementation stage. Leadership plays a vital role in determining the direction to take at the implementation stage. There is need for a powerful champion. Communication is important because the details of the implementation effort should be communicated as early and thoroughly as possible. Finally, incentives are an important tool for inspiring organizational members to change in accordance with the strategy.

The five major areas important to any restructurer include resource commitment, sub-unit policies and programs, structure, rewards and people (Hanbrick and Cannella, 1989).
When restructuring, the resource commitments have to be changed, new strategies often require revision of organizational structure. Corporate restructuring becomes successful due to prevalence of aptitudes, values, skills and contact of people at all levels of the organisation. Penning (1996), proposed a diagnostic approach for strategy implementation and organizational change. Strategy implementation involves organisation structure, control, and information systems, reward systems, socialization, power and politics and organizational culture. By taking into account and adjusting these six factors, it is argued that management can implement a strategy successfully. (Bateman & Zeithmal, 1990), agree that strategy implementation is supported mainly by decisions regarding organizational culture, reward system, culture and style.

2.8 The Tools of Corporate Restructuring

There are various tools that an organisation can employ and they are all aimed at launching the firm to a whole new level of exemplary performance and higher profitability. To realize success of the process to, it is imperative for the organisation to select the best method of restructuring (Gilson, 2010). There are various restructuring methods, among them: mergers and acquisitions, divestment, spin-offs, and carves-outs. Each of these methods is applied depending on the circumstances facing the firm restructuring, and the objectives that the firm intends to meet. They can be expansionary or contractionary measures.

Expansionary measures are those approaches that seek to increase the organisation’s net worth on its balance sheet; this means that the asset base of the organization becomes
bigger than before mostly through mergers and acquisitions (M&A). Contractionary measures on the other hand are those that reduce the organisation’s asset base. The organisation becomes smaller since it sheds off some of its departments, divisions, or entities. Some contractionary measures include divestitures, spin-offs, and carve-outs (Gaughan, 1996).

2.8.1 Mergers and Acquisitions (M&A)

The phrase mergers and acquisitions refers to the aspect of corporate strategy or marketing dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry expand rapidly without having to create another business entity (Gaughan, 1996). He further stated that firms are likely to enjoy the major advantages associated with Mergers and acquisitions which include; Increased market share, Lower cost of operation and/or production, Higher competitiveness, Industry know how and positioning, Financial leverage, Improved profitability, and higher earnings per share (EPS).

The dominant rationale used to explain M&A activity is that acquiring firms seek improved financial performance, (Gaughan, 1996). Some of the motives considered to improve financial performance include; Economy of scale which refers to the fact that the combined company can often reduce its fixed costs by removing duplicate departments or operations, lowering the costs of the company relative to the same revenue stream, thus increasing profit margins.
According to (Gaughan, 1996), companies can also benefit from taxation where a profitable company can buy a loss maker to use the target’s loss as their advantage by reducing their tax liability. Geographical or other diversifications also assists to smoothen the earning results of a company, which over the long term smoothens the stock price of a company, giving conservative investors more confidence in investing in the company. The companies also benefit from resource transfer because resources are unevenly distributed across firms (Barney, 1991) and the interaction of target and acquiring firm resources can create value by combining scarce resources.

2.8.2 Divestiture, Spin-offs, and Carve-outs

Divestment usually involves eliminating a portion of a business. The decision to divest is not an easy option for firms. This move often is the final decision to eliminate unrelated, unprofitable, or unmanageable operations. It is for this reason that management will attempt to increase investment as a means of giving the unit an opportunity to turn its performance around, (Gilson, 2010). Despite how difficult it is for firms to make the decision to divest, there are many reasons why organizations need to divest. In most cases, this move has a strong impact not only on the operations of the subsidiary being divested but also on the financial stability of the entire conglomerate or the core businesses. (Gilson, 2010), the availability of other profitable investment opportunities leads to the decision to divest some business units or subsidiaries. Therefore, when better business opportunities promising a higher rate of return on the same amount of
investment are available, corporations decide to shed-off some business units that are unproductive, unrelated or unmanageable.

By divesting, the company is in a better position to remain in business (Hunt, 2009). The funds from divestment may be used by either the parent company or one of the other subsidiaries to finance it. The funds can also be used to reduce debt or for other corporate purposes (Hunt, 2009).

A spin-off is the process by which a division or a department in a company is converted into a separate company altogether. In a spin-off, an organisation sheds off a particular department which eventually becomes an independent entity (Hunt, 2009). This means that the resultant size of the organisation is smaller. The logic behind a spin-off is that parts are greater than one. In essence, this implies that when the smaller organisation is well managed, it not only emerges successful but also viable. An organisation can opt to undertake a spin-off for various reasons which include; creating more effective and take advantage of tax breaks which allows the organization to divert much more of its revenue to the production processes. This benefits the firm by being efficient in production as well as increasing the output (Hunt, 2009).

A carve-out occurs when a company sells its minority (usually less than 20%) stake in a subsidiary usually through an Initial Public Offering (IPO) of a rights issue (Harrington, 2004). It retains the rest. A carve-out is also referred to as a partial spin-off. The child company will have its own board of directors and financial statements, but it will benefit from the parent company’s resources and strategic support. Usually the parent company will sell the rest of the child company in an open market, but the controlling interest in
the company is retained. The sale provides additional capital to the parent company which may sell the remaining stake (stub) at an inflated price by the carve-out. This leads to creation of a new subsidiary which operates in a new market by leveraging on the parent's firms strengths such as recognition and the distribution system. The parent company continues to function according to the usual pattern while some slight changes are usually involved in the running of the child company.

2.9 Challenges in Implementing Corporate Restructuring

Every process encounters some challenges and corporate restructuring has its own fair share of challenges. Machuki (2005), studied the challenges in strategy implementation at CMC motors. The study revealed the various challenges that organisations face while implementing strategies. However, all these challenges can be managed. Some of the challenges experienced by organisations include:

Unless the top management provides the direction to take, even the best formulated strategies are unlikely to provide the desired outcome (Thompson et al, 2008). David (1997), indicated that only 10% of formulated strategies are successful while 90% fail at the implementation stage. (Pearce and Robinson, 2002) attribute the reasons for success or failure revolving around the nature of the strategy itself, policies and support systems, resource allocation, structure, leadership and communication process.

The main challenge in corporate restructuring in many organisations is creating a series of strategic fits between strategy and organizational competencies, internal policies, structure, reward systems, budgets among others, (Thompson et al, 2008). Common
challenges also include management barriers, unaligned organizational structures and resources, uncontrollable organizational factors, communication breakdown, and lack of commitment by employees (Pearce & Robinson, 2010). Failing to carry a strategic plan into the day to day operations of the workplace according to (Wheelan & Hunger, 2008), also leads to failure of the organisation to achieve its objectives. (Thompson, Strickland, & Gamble, 2007), suggest that organizations need a change of strategies to manage challenges within the context of a set of strategic issues and dilemmas. If the organizational leadership fails to control, change, or innovate in a dynamic environment, the organisation will register low levels of performance.

In managing the challenges that are experienced during corporate restructuring, the strategic managers must put in place able measures to counter these challenges as they arise and also pin them down to make the new organisation the accepted organisation (Gilson, 2010). Therefore such measures must be geared towards leading the organisation where it desires to be.

The organizational leadership must also be present inorder to galvanize the people's commitment within the organization as well as other stakeholders outside the organisation inorder for them to embrace the change and implement the intended strategies (Pearce, Robinson, & Mital, 2010). This in effect positions the organisation to succeed in a highly dynamic and turbulent future. In essence, the strategic managers galvanize commitment to make change acceptable through three interrelated activities which include: clarifying the strategic intentions of the organization, building an organizational culture of change and embracing change, and shaping the organizational culture through the new structure (Pearce, Robinson, & Mital, 2010).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter illustrates how the research was carried out. The chapter provides the research design that was adopted in this study with its justification as well. It also provides the method used in data collection which was conducted through a personal interview from the organisations top executives, the list of the respondents and why it was appropriate to collect data from that group of respondents. The final part of the chapter is the data analysis where it illustrates how the data collected has been analyzed in order to relate the findings to existing theories, other studies in the same field and its suitability for further research in the same field and related fields.

3.2 Research Design

The research was conducted through a case study research design. A case study is appropriate for answering the questions “why” and “how” (Choo, 1994). A case study can also be defined as an empirical inquiry that investigates a contemporary phenomenon and within its real life content especially when the boundaries between phenomenon and context are not clearly evident (Yin, 1994). This method is used in research involving business and organizational issues, education, development of policy issues, international affairs, technology development, and research on social issues (Yin, 1983). A case study has the ability to test and generate theories by use of design, the reason why certain decisions are made, how they are implemented and what results can be identified (Choo, 2001).
This design adopted was appropriate because it has the ability of providing the critical success factors of corporate restructuring that KCB Bank Group has adopted. Also, when the respondent gave an answer, it was easy to probe further for any question that may not have been included in the interview guide and also eliminated anonymity between the researcher and the respondent. It is also appropriate considering the sensitivity of the information being provided and therefore gives an assurance that the information will be treated confidentially.

3.3 Data Collection

The data was collected from primary and secondary sources. The primary data was collected by way of conducting personal interviews using a structured interview guide where the questions were open ended developed in line with the objectives of the study. The secondary data was collected from existing sources which include the KCB Bank Group Ltd strategic plan for 2011 and the 2011 mid-year cascade.

The primary data was collected from the following respondents; The Chief Executive Officer (CEO), Chief Operating Officer, Company Secretary, Director Retail Banking Division, Director Strategy and Innovation Division, one team leader from the transformation team, one regional operations manager, Risk and Compliance Manager, one Branch Manager, and one operations manager. The data was collected by noting down all the responses as provided by the respondents and scanning through the strategic plan and cascade highlighting areas of importance relating to the study objectives.
3.4 Data Analysis

The data collected was largely qualitative and thus considering the data intended as per the interview guide, a conceptual and qualitative content analysis is the most suitable method for this research. Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts, (Choo, 1994).

Content analysis also involves the analysis of meanings and implications emanating from the respondents information coupled with documented data (Machuki, 2005). Data has been evaluated and analyzed to determine its usefulness, consistency, credibility and validity. The data collected has been analyzed and compared with the company objectives of the strategy the results linked to the existing theories and studies carried out earlier to establish its consistency and validity.
CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the study findings and the discussions guided by the objectives of the study which were to determine the challenges that KCB Bank Group Ltd faced in the implementation of corporate restructuring and how these challenges were managed. The findings are out of the data collected by the researcher from the organisation’s strategic management panel outlining the challenges that the organisation faced during the implementation of this process and the measures that have been applied to manage these challenges. The data was collected by way of personal interviews and analyzed through content analysis. The respondents included; The Chief Operating Officer (COO), Retail Banking Division Director, Director Strategy and Innovation, Information Technology Divisional Director, Company Secretary, transformation project team leader, Head of Risk and Compliance, one regional operations manager, one branch manager, and one branch operations manager. The findings are presented on the basis of the objectives of the study with sub-themes therein. A discussion of the findings then follows where the study findings are placed within the context of existing literature as well as theory.

4.2 Corporate Restructuring at KCB Bank Group Limited

KCB bank Group Ltd carried out corporate restructuring with the prime mission of transforming the organisation from a good organisation to a great organisation, the mission statement being the integration of the Group Support functions and to attain
operational efficiency in order to deliver excellent customer service. Restructuring is ongoing and the bank is in the implementation stage. Through the study, it has been established that KCB Bank Group Ltd subdivided its key transformation themes into two. They include profitability and growth in Kenya and efficiency in all the subsidiaries which include KCB Sudan, KCB Uganda, KCB Rwanda, and KCB Tanzania.

In Kenya, profitability and growth involved defending and growing the retail banking by increasing its aggressiveness and optimizing its operations. The bank also had to seek to optimize and grow its corporate and mid corporate businesses together with new product development. This strategy endeavored to customize customer choice of products as well as defining quality of its products, driving efficiency, and result to effectiveness.

In the subsidiaries, restructuring involved the alignment of overall aspirations of the bank, enhancing an operating model seeking to fulfill the unique and specific market needs. KCB Bank Group Ltd is also looking for potential business partnerships in the new countries and thus form strategic alliances either with the existing commercial banks or other businesses such as insurance firms.

From the study, the researcher was able to investigate whether KCB Group Ltd has laid out the road map for the transformation program and established that the program has been segmented to two major approaches. They include; rolling out best practice and leveraging her talent.

Rolling out practice entails improving her credit processes to enhance Credit Turnaround Time (TAT) across the board for all products. This is manifested in reducing the number
of stages that a loan has to go through for it to be approved and disbursed to the customers, and at the same time being vigilant so as to be keen on being caught up in fraudulent cases. The bank has also improve on her cost management discipline especially in the procurement processes and monitoring, this has been implemented through a proper and professional vetting of all the suppliers that the bank has engaged and will engage with much emphasis on quality, reliability, and cost. KCB Group LTD has also been involved in continual improvement of her Management Information Systems (MIS) inorder to enhance business decision making.

Leveraging her talent has been achieved through an effective structure and governance model that ensures that there is professionalism and merit are considered in job allocation and promotions. The bank has institutionalized a performance focused culture which will involve performance management, talent management, and living the KCB values.

4.3 Challenges in the Implementation of Corporate Restructuring at KCB Bank Group Limited

The first objective of the study was to determine the challenges of implementing corporate restructuring at KCB Bank Group Ltd. To achieve this objective, in-depth interviews were conducted with the senior managers who were overseeing the implementation of the process. The study established that KCB Group Ltd has experienced numerous challenges in the implementation of the restructuring program that was dubbed the transformation process. Among the major challenges include: presence of organizational silos and disengaged employees, lack of trust and accountability from
amongst the organizational members, employees lack of agility, employees and other organizational members being comfortable with the status quo, constant system failures and outages, lack of an integrated and well coordinated channels for marketing, sales and actionable information, existence of a serious people skills gap, and finally improper execution of chosen strategies. These challenges may be unique to the industry but the bank having been in operation for over a century, has some measures in place to manage the challenges.

The company strategy and employee activity are out of sync that made it appear that all the stakeholders were pulling in different directions. The employees felt that because they were not engaged in the process, they were not part of the project and in some ways they tried to kill the efforts of the implementers. This was manifested in the organizational structure where small informal groupings among the members of staff based their age in the bank and also on their similarities thrive. These groups have been very difficult to break since they have all along been inherited from past regimes and some of the members of the groups are managers in the bank. At times it becomes very difficult to control the groups' activities and also making them buy into the idea of new strategies and their benefits. These groups feel that their jobs are at risk even when a new strategy or projects does not involve staff movement. This aggravated the employee disengagement challenge.

In most instances, the employees had been withholding their co-operation hence showing no willingness to adopt the change initiatives. This is because they said it in words but what they practiced was totally different from what the initial organization intention was.
The processes also did not have clear owners and therefore lack a clear framework which led to lack of accountability and mistrust.

Agility from the side of the policy makers and implementers made the employees feel overworked and their interests ignored. The policies and procedures in the bank did not reward delegation which led to the flourishing of unending bureaucracies. This impacted to long time being wasted in performing a certain task or authorization of any activity however important and urgent it may be. Stakeholders and players also did not have sufficient knowledge in the execution of business plans which eventually resulted to low quality of work done and high number of customer complaints.

Despite new benefits being experienced in the course of the transformation, the organization continued to operate in its old ways. The reason basically was that the organization members were used to a certain way of doing things and also the fear of the unknown. Even with new technologies, they still felt that the organisation was trying to exit some of them indirectly instead of taking advantage of this opportunity to learn something new and refresh their knowledge of the job. The employees showed no support for the new program. This was evident from the employee rejection of the use of ATM machines for customers to transact claiming that their jobs were being undertaken by the machines, agent banks have taken over from bank cashiers and mobile and internet banking as well.

Constant system failures and unstructured architectural applications which some of them have their genesis from intentional human causes. The bank had been experiencing numerous system (T24) outages and this resulted to a poor turnaround time especially
during end month when salaries are being processed and individual customers are paying their bills. This is the time when many transactions are taking place and the existing systems cannot handle that. The architectural plan of the bank’s information system was not well structured to enable a fully functional and operational banking system especially the Automated Teller Machines (ATM) which most of them could only perform three of the eight functions that can be done at the ATM point. After the automation of many activities in the bank, the employees especially from IT Division were rendered irrelevant in the organisation and therefore sending a message that their future in the organisation was short-lived.

Lack of an integrated multiple channels for sales, marketing and actionable information in the bank made the bank suffer from consistent information transfer problem. What the marketing team relays to customers was different from the information delivered by the sales team which is also different from the information being processed at the back office. This was due to lack of coordination of the information and this challenge was clearly visible at the retail banking division where the three departments belong. The end result of all this was confusion between the three departments and eventually the customers also getting confused.

There was a serious skills gap on the part of the employees on some critical issues such as credit skills, IT skills, and marketing. This was attributed to past recruitments that did not consider employee skills, competencies, and abilities to perform more than one task. This challenge was more common at the regional office centres and at the head office where many people just possessed one or just a few skills as opposed to operation teams
at the branch levels. This has been very disastrous to the bank since the bank has to employ more staff with the requisite skills and still cannot fire those with these skill gaps.

The research also found out that projects were not properly executed since the plans that were initially agreed upon were different from what was actually done. The result was different results from the intended results of the plan. This bred another challenge of insufficient risk management and mitigation tools and processes which led to loss both in time and finances. These challenges both provided good avenues for fraud and other forms of theft cases because monitoring was poor and there was no one to take responsibility for their actions.

4.4 Managing Corporate Restructuring Challenges at KCB Bank Group Ltd

From interviewing the key change champions in the bank, the researcher was able to gather that the bank has put in place measures to deal with the above-stated challenges. The measures were intended to mitigate the degeneration of the challenges to disasters. Some of these measures included; building a unified organizational structure, realignment of employee efforts, staff empowerment, making of new promises to the organizational members, IT development, Reconnecting with customers, and embedding a risk management culture. These were the measures that the bank had been applying as the way forward to manage those problems at their initial stages and also to build a capacity to counter such issues and any other. The study has examined the measures as follows;
KCB Bank Group Ltd put in place a unified organizational structure whose main focus was to foster synergies, role rationalization, and teamwork. This structure also clearly illustrated the chain of command that had to be observed and respected. This helped minimize cases of insubordination and interdepartmental conflicts. With that structure in place, the organisation has been able to ensure a seamless and harmonized flow of activities and eliminate duplication of duties, and the disengaged employees were in sync with company strategies.

The bank realigned the employee efforts to match the company goals through an open communication approach. KCB Bank Group Ltd has invested heavily in training her members of staff regularly and intensively. KCB Bank Group Ltd has also identified the owners and partners to aid in the development of monitoring tools aligned to the achievement of critical strategic goals. An employee performance management framework aligned to the business goals has also been put in place and was fully functional. The bank was also making and delivering on the succession of small but highly visible promises to rebuild trust among the employees. Through these change initiatives that the bank adopted, the bank clearly demonstrated these benefits of change.

Through this approach, the bank was able to fight the trust and accountability challenges.

The staffs were empowered through reviews and realignment of processes, procedures and organizational culture to the publicized organizational goals. This was geared to improve employee ownership of the program and for their continued productivity towards the achievement of organizational strategic goals and objectives. KCB Bank Group Ltd developed the technical competencies with the main intention being to drive up proper people placement. This approach greatly managed the agility challenge.
The bank was making new promises to employees who met their key deliverable targets with an effort of articulating promises necessary to execute the new strategies and delivering these promises. This approach has the primary aim of making the employees accept the program and also develop ownership of the program amongst them.

4.5 Discussion

KCB Bank Group Ltd has continually been developing her IT systems through updated technology platform; this was coupled with project prioritization for a stable T24 System, and a branch off-line service when T24 service system runs down. These IT projects prioritization are being entrenched on a cross-functional engagement and structured approach for the whole banks IT architecture. This approach greatly dealt the organisation a good deal in minimizing the frequency of system outages.

The bank was also reconnecting with customers by revamping its IT help desk services at her fully operational contact centre. Customers were being offered most of the services at a self-service level and the bank has enhanced its mobile banking known as KCB Connect, KCB Internet banking services that is expected to roll out operations as from November 2011, agent banking, and full ATM banking where customers can access both cash deposit and withdrawals from all ATM centres, Cheque deposits, account transfers, balance enquiries, and payment of bills.

KCB Bank Group Ltd was also embedding a risk management culture on its information security policy. To seal the skills gap, the bank has been conducting frequent training for all members of staff through e-learning. The bank also provided sufficient tools of
operations such as fully functional ATM machines, PCs to all staff with updated specifications and application software.

4.5 Discussion

The findings of the study indicate have a high degree of consistence with studies carried out in the same field of strategy implementation with a bias towards corporate restructuring and organizational change. Mburugu (2010) researched on challenges of strategy implementation at Christian Health Association of Kenya and Machuki (2005), who carried out his study at CMC Motors both found out that implementation of strategy in these organisations, is welcomed by a strong resistance from the side of the employees. The employees feel that their jobs are at risk and that sooner rather than later, they will be retrenched. The same study by Mburugu (2010) also indicated that the organisation faced the challenge of improper execution of the strategy which led to definitely opposite results from the expected outcomes. These findings to some extent with Machuki’s (2005), who found that when an organisation is going through change, it faces resistance from the employees, and the employees also feel that their services in the organisation were no longer needed.

Both of these studies (Mburugu, 2010; and Machuki, 2005) also found that organizational members are out of sync with company the strategy which is a similar challenge that is greatly featuring at KCB Bank Group Ltd. The two studies also indicate that there is lack of trust, accountability, and commitment from employees while the managers are also missing on the agility factor and they feel that they have more to claim from the
organisation than their subordinates which makes the employees furious and lack the morale to work with synergy towards the achievement of organizational goals and objectives. These challenges are also consistent with challenges faced at KCB Bank Group Ltd.

The studies also indicated that the organisations have laid down procedures to manage these challenges. Some of the measures include up-skilling and on-the-job training for all the employees to increase their productivity and raise their morale as well. Both studies also indicate that the organisations have engaged the employees in the implementation process which is geared to make the employees develop ownership of the organization and be part of the process. Having a harmonized organizational structure has also been used as a measure in these organisations to counteract the challenge of employee disengagement while KCB Bank Group has employed a unified organizational structure that indicates the full organizational chart. The three studies also found out that the organizations have embarked on an intensive customer oriented service where products are tailored to meet customer expectation and specifications.

The research findings at KCB Bank Group Ltd are also consisted with the theories that have been put forward to guide other studies in the area of corporate restructuring. (Strickland et al, 2008) contend that unless the top management provides the direction to be taken, even the best formulated strategies are unlikely to provide the desired outcome. Similar manifestations of the strategy of corporate restructuring occur when organizational strategic managers fail to provide a clear direction and required leadership
to deliver the intended results. This is also similar to the works of David (1997), who indicated that only 10% of formulated strategies are successful while the other 90% fail at the implantation stage. KCB Bank Group Ltd is also facing a similar challenge of improper execution of the formulated strategies.

The study at KCB Bank group is also perfectly consistent with the existing theories of strategy implementation in the manner in which these challenges are managed. The bank has instituted measures to manage the challenges that she faces. Similar to (Thompson, Strickland, & Gamble, 2007), the bank has realized the need to change strategies through which the challenges are managed and strategies are implemented. The bank specifically has instituted a straight line of communication to both horizontally and vertically in an effort to make communication as open as possible and hence increase the chances of strategic managers knowing what is happening and the challenges being faced at the operational level and the employees get to know about the progress of the process and what is required of them. (Wheelan & Hunger, 2008) also noted that failing to carry a strategic plan into the day to day operations of the organisation also leads to failure of the organisation to achieve its objectives and KCB Bank Group has also realized the same by providing a clear work-plan for each department and each business unit which primarily provides the roadmap for the implementation process to ensure its success.
CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATIONS.

5.1 Introduction

This chapter provides a summary of the study findings, conclusions from the study, recommendations for policy and practice, limitations of the study, and practice in the field of corporate restructuring. The final part of this chapter is the suggestions for further studies in this field.

5.2 Summary

From the study, we are able to summarize and draw the conclusion that KCB Bank Group Ltd is committed in transforming from being a good business to a great organisation and has greatly emphasized in the four key areas which are the pillars of this project that is aimed changing the bank from its current state. The KCB Bank Group Ltd has been very keen on the implementation of the strategy of corporate restructuring and every single event in the bank is given a detailed concern to ensure that it does not lag the implementation process behind.

The research study shows that the challenges can be grouped into four key areas which include; customer service and back office challenges which have a direct impact on customer service delivery. Credit, risk and compliance challenges which affect the TAT
of credit facilities and the quality and size of the bank’s loan portfolio, due the many bureaucracies involved, the bank opted to overhaul the whole credit process and make it not only easier to lend but have a credible, functional, and friendly credit policy. IT challenges existed and hindered the process flow of many tasks in the bank. All bank activities and processes have been linked together such that everything in the bank system is now real time. Logistics, procurement, and operations challenges were many and they all focused on the bank’s inability to take advantage of its resources such as huge workforce assets to propel performance and give better results.

From the findings, the researcher has noted that the bank’s key focus is back office and customer service which will have the responsibility of optimization of operations to drive efficiency and stimulate profitability and growth. The study also established that the bank has also realigned its IT capabilities focusing on quality and reliability of IT systems and service delivery. In the credit sector, the major issues are credit turnaround time and monitoring which have been reviewed, this is an effort to make it possible for their customers to access credit easily and in a lesser duration than before the implementation of the project, and still monitor and control the bank’s exposure to losses and frauds. The bank’s department logistics now has a procurement handbook whose mandate is to define and implement procurement best practice.

5.3 Conclusion

Strategy implementation is the most important stage in the strategy management process because this is where the action is and as Johnson and Scholes (2005) postulated, strategy
is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. This encompasses the implementation of the strategy formulated. From the study carried out, KCB Bank Group Ltd has implemented the strategy of corporate restructuring and is also carefully controlling the process in order to steer the bank through an extended future time period during times of sudden events such as volatility of foreign currencies and other general economic crisis. Therefore, in concurrence with Peters & Waterman (1982), an organisation has to change its structure to fit its strategy and hence agree with the fact the structure follows strategy.

Strategy implementation forms the difference between success and failure which is the organisation’s ability to adapt to the environment and the other industry players. The environment is very dynamic and cares less about laws, procedures, and policies. What matters to the organisation are profits and growth, which basically implies that it is results that really matter. The study therefore concludes that the restructurer’s job is therefore to adapt the organisation with its environment. From a business perspective, corporate restructuring is basically doing what is necessary to the organisation to stop underperformance and manage crisis which cushions the organisation from collapsing or being rendered obsolete by other organisations. From the study, the KCB Bank Group Ltd will achieve greatness because it possesses some major strengths that include; very large branch network of 220 branches across the region, large ATM network in the region with 402 ATMs with 467 ATM partnerships, large balance sheet, strong brand presence.
in the region, a strong regional multinational corporation with the scope of an international bank, and most importantly a committed leadership with a youthful and skilled workforce.

To utilize these strengths, the study reveals that the bank has determined the overall transformation roadmap. This is through the determination of the overall execution guidelines and a clear work plan which defines the activities, timelines, and those responsible. To enshrine this roadmap, the bank has developed a tracking methodology and tools to monitor the progress of this initiative. The study also reveals that the bank has devised a communication strategy and a sales stimulation program. The role of the communication strategy is drawing up and developing a communication plan to inform and align all key stakeholders. The purpose of the sales stimulation program is to involve all the bank employees in marketing and selling of the bank products to all customers who walk in the bank, the existing customers and this is expected to double revenues and increase in profitability.

5.4 Recommendations for Policy and Practice

From the study, a few recommendations can be made which concern the operationalization and institutionalization of corporate restructuring at KCB Bank Group Ltd. Some of the actions that can be operationalised include; differentiating customer service standards by pursuing service and execution of excellence at all service levels.
Embedding teamwork, visible leadership and problem solving culture through empowerment of employees, and having a promise based management culture. The strategic managers of the bank should support all teams to inspire them to deliver business results beyond excellence and recognize such performance.

KCB Bank Group Ltd should strive towards customer oriented IT expectations through building and improving a stable system for better customer service. Customer oriented information systems on technology which drive sales, marketing of bank products and services, management information systems reporting, and building a customer self service platform. A structured architecture will also drive growth and profitability through integration of alternative business channels. Risk and compliance checks should also be in place as they are early warning instruments of potential dangers to the organisation.

The management should also build employee ability and thus raise confidence levels. All members of staff of KCB Bank Group Ltd should aspire to live all the KCB values which include; putting the customer first, being professional in everything they do, working together as a team, willingness to change, and caring for the community. These are the values the all employees in the bank can embrace in an effort to enable the bank achieve her key goals of growth and profitability, and alignment of all activities in the subsidiaries. The result will be high profits, and a high market share price for the KCB Bank Group Ltd shares in the Nairobi Securities Exchange market.
5.5 Limitations of the Study

The scope and depth of the study solely relied on interviewing of the senior management staff of KCB Bank Group Ltd. The respondents may have been impartial in providing the information and considering the interview as an appraisal as to how much they are of support of the initiative or the information may be used for other purposes besides academic. This may have led them to give some unreliable information. The researcher did not manage to interview the technical team of McKinsey and Company as they would have provided some information concerning their views about the project.

In the process of interviewing the respondents, the interviewer may have left out some questions which would be important in the study. However, it can be concluded that the interview was conducted with the highest level of required standards of data collection and the study results analyzed carefully. The study is however timely as the bank and other parties can refer to the study in establishing success factors of a similar project in an organisation.

5.6 Suggestions for Further Research

The research was broad as it concentrated on the challenges that KCB Bank Group Ltd is facing in the implementation of corporate restructuring and how these challenges are being managed. The researcher however suggests that further research is still required in this field as the environment is very dynamic and turbulent, there may be other underlying factors that force organisations to restructure and are also of great importance.
to the subject matter. Such studies could unearth more information and still contribute to theory development and knowledge advancement.

KCB Bank Group Ltd is still in the initial stages (still in the first year) of the implementation of this strategy which focuses on market leadership. The bank wants to be the Pan African market leader in financial services and is also keen to increase its exposure in the Small and Medium Enterprise (SME) market in the region. Therefore, further studies are necessary to establish the position of KCB Bank Group Ltd in achieving its strategic goals and objectives during and after restructuring.
REFERENCES


Appendix one: Personal Interview Guide

1. What is the theme of the transformation program?
2. How will the organisation achieve these themes?
3. Who has the bank involve in implementing this strategy of corporate restructuring?
4. How is the management staff supporting the implementation of the strategy area of skills to enable its success?
5. How does the current organizational structure support the implementation of the corporate restructuring strategy?
6. How does the current organizational size support the implementation of the corporate restructuring strategy?
7. What challenges are you facing in the implementation of the strategy?
8. How are these challenges communicated to the management?
9. How are these challenges being managed?
10. How often do you meet to evaluate the progress of the program and how do you handle the burning issues?
11. How will the organisation change as a result of corporate restructuring?
Appendix Two: Letter of Introduction

Wachira Bonface K.,
P.O Box 16873- 00620,
Nairobi, Kenya.
Tel. 0721 607 935.

September 2011.

To the Chief Executive Officer,
KCB Bank Group Ltd,
P.O Box 48400-00100,
Nairobi, Kenya.

Dear Sir,

RE: DATA COLLECTION; MBA RESEARCH PROJECT

I named above is an MBA student at the University of Nairobi, School of Business specializing in strategic management, am requesting for permission to collect data from KCB Bank Group Ltd. My mode of data collection will be through conducting personal interviews with some of the senior management members of staff in the organisation.

I would also like to confirm to you that the data collected is intended for academic purposes only and will be treated with utmost confidentiality. A copy of the research project will be provided to you upon your request.

Your assistance will be highly appreciated.

Yours faithfully,

Wachira Bonface,
Student, (SOB)
University of Nairobi.

Dr. Vincent Machuki.
Senior Lecturer, (SOB)
University of Nairobi.
TO WHOM IT MAY CONCERN

The bearer of this letter, Wachira Berface K.,
Registration No. D61/60472/2010

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

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

JUSTINE MAGUTU
ASSISTANT REGISTRAR
MBA OFFICE, AMBANK HOUSE