

**CHALLENGES FOR STRATEGY IMPLEMENTATION IN BARCLAYS**

**BANK KENYA LIMITED**

**BY**

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**UNIVERSITY OF NAIROBI**

**April, 2006**

## DECLARATION

This research project is my original work and has not been submitted for a degree course in this, or any other University.

Signed



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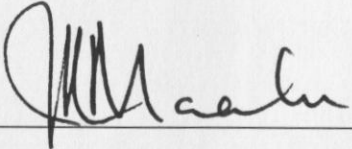
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This research project has been submitted for examination with my approval as a University Supervisor.

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My gratitude goes to the teaching and non-teaching staff of the University of Nairobi that contributed in one way or the other to the success of this course. Special thanks to my supervisor Jackson Mwangi for his invaluable leadership.

I say thank you very much to my dear wife, Susan Wambui, for the understanding and unwavering support during the course of this work.

To Susan Wambui my dear wife and best friend,

and

To my lovely children Sean Githui and Stacie Wairimu

To my friends I say thank you very much for encouraging me. God bless the respondents who sacrificed their time for the interviews in spite of their very busy schedules.

And to the Almighty, thank you for making this possible.

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## ABSTRACT

The future of banking in Kenya is very bright and promising. The growth stage that the sector has been in for the past decade is the developmental stage that is inevitably, and unfortunately so, characterised by banking structure equalisation pressures, such as bank collapses, temporary customer confidence dents and cross-border frauds. When looking at the future of the Kenyan banking sector now, the question is how we can move on to the pre-maturity stage of the growth cycle. Given the current state of the sector and related economic linkages (which are generally still looking quite positive), movement forward would require, inter alia, conscious and committed strategic actions from the players in order to survive.

The research project was a case study on Barclays Bank Kenya Limited. The two objectives of the study were to identify strategy implementation processes within BBK and establishing and documenting the challenges for implementing strategies within BBK.

In order to meet these objectives, primary and secondary data was collected. Primary data was obtained through personal interviews of respondents who were responsible for implementing strategies in BBK. Secondary data was obtained from various sources.

The study established that a change committee had been set up, alongside the strategic committee to teach the elephant how to dance because BBK ran the risk of slowly turning from an eagle into an elephant. Nine challenges for implementing strategies were identified and these were the need to modernise the business, BBK's efficiency, improving the quality of BBK's products and services, building a high performance organisation, outperforming competition, the economic and political situation, the influence of foreign exchange rates, customers' expectations and demands from regulators.

The processes of implementing strategies in BBK were found during the study to be quite effective measured by the financial performance as reported in the annual financial reports. To increase the efficiency of employees, the end-to-end management team was found during the study to improve processes so that employees spent more time on service to customers and less time correcting mistakes. The team was formed to understand what goes on in the business. The team worked with staff in service delivery and other functions to design ways to map processes step by step, identifying where and why they break down and finding ways to fix them. All the processes were designed to help the business get closer to its customers. Barclays Bank Kenya Limited had found that the one-size-fit-all philosophy of the past could no longer work in sustaining a business.

Executive Summary	12
2.1 The Strategic Management Process	12
2.1.1 Situation Analysis	13
2.1.2 Formulation of Strategy	13
2.2 The Implementation of Strategy	14
2.2.1 Leadership for Strategy Implementation	16
2.2.2 Importance of Structural Design in Strategy Implementation	18
2.2.3 Information and Control Systems in Strategy Implementation	19
2.2.4 Human Resources in Strategy Implementation	21
2.3 Strategy in Different Contexts	22
2.3.1 Strategy in Transnational Corporations	24
2.3.2 The Role of The Corporate Centre	24
2.4 Implementation of Strategy in a Parented Company	25
2.5 The Challenge of Pivoting	27
Chapter Three: Research Methodology	29
3.1 Research Design	29
3.2 Data Collection	29
3.3 Data Analysis	30

## Table of Contents

Declaration		i
Dedication		ii
Acknowledgement		iii
Abstract		iv
List of Abbreviations		vii
List of figures		viii
<b>Chapter One:</b>	<b>Introduction</b>	<b>1</b>
1.1	Background	1
1.2	Statement of the Problem	9
1.3	Objectives of the Study	10
1.4	Significance of the Study	11
<b>Chapter Two:</b>	<b>Literature Review</b>	<b>12</b>
2.1	The Strategic Management Process	12
2.1.1	Situation Analysis	13
2.1.2	Formulation of Strategy	13
2.2	The Implementation of Strategy	14
2.2.1	Leadership for Strategy Implementation	16
2.2.2	Importance of Structural Design in Strategy Implementation	18
2.2.3	Information and Control Systems in Strategy Implementation	19
2.2.4	Human Resources in Strategy Implementation	21
2.3	Strategy in Different Contexts	22
2.3.1	Strategy in Transnational Corporations	24
2.3.2	The Role of The Corporate Centre	24
2.4	Implementation of Strategy in a Parented Company	25
2.5	The Challenge of Parenting	27
<b>Chapter Three:</b>	<b>Research Methodology</b>	<b>29</b>
3.1	Research Design	29
3.2	Data Collection	29
3.3	Data Analysis	30

<b>Chapter Four:</b>	<b>Findings and Discussions</b>	<b>32</b>
4.1	Barclays Bank of Kenya Limited Profile	32
4.2	Management of Strategic Change in Barclays Bank Kenya Limited	34
4.3	The Strategy Implementation Processes within Barclays Bank Kenya Limited	34
4.4	Challenges for Implementing Strategies within Barclays Bank Kenya Limited	47
<b>Chapter Five:</b>	<b>Summary, Conclusions and Recommendations</b>	<b>62</b>
5.1	Summary of Findings	62
5.1.1	Strategy Implementation Processes within Barclays Bank Kenya Limited	64
5.1.2	Challenges for Implementing Strategies within Barclays Bank Kenya Limited	65
5.2	Conclusions	65
5.3	Recommendations	67
<b>References</b>		<b>68</b>
<b>Appendices:</b>		<b>71</b>
Appendix I	Questionnaire	71
Appendix II	Barclays Africa Leadership	75
Appendix III	Barclays Bank Core Business Structure	76
Appendix IV	Barclays Bank Kenya Limited Leadership 2004 (CMC)	77



## List of Abbreviations

ATM	Automatic Teller Machine
BBK	Barclays Bank Kenya Limited
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CMC	Country Management Committee
GDP	Gross Domestic Product
IT	Information Technology
MD	Managing Director
SBU	Strategic Business Unit

Figure 2.1.	The Strategic Management Process	12
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Strategic management is the set of decisions and actions used to formulate and implement strategies that will provide a competitively superior fit between the organization and its environment so as to achieve organizational goals (Prescott, 1986). Managers ask questions such as "What changes and trends are occurring in the competitive environment? Who are our customers? What products or services should we offer? How can we offer these products and services most efficiently?" Answers to these questions help managers make choices about how to position their organization in the environment with respect to rival companies (Mintzes, 1997).

The overall strategic management process begins when executives evaluate their current position with respect to mission, goals, and strategies. They then scan the organization's internal and external environments and identify strategic factors that may require change. Internal and external events may indicate a need to redefine the mission or goals or to formulate a new strategy at either the corporate, business, or functional level.

Strategy formulation includes the planning and decision making that lead to the establishment of the firm's goals and the development of a specific strategic plan (Leontades, 1981).

Strategy formulation may include assessing the external environment and internal problems and integrating the results into goals and strategy. This is in contrast to strategy implementation, which is the use of managerial and organizational tools to direct resources toward accomplishing strategic results (Hedriak et al., 1984). Strategy implementation is the

## CHAPTER ONE: INTRODUCTION

### 1.1 Background

Strategic management is the set of decisions and actions used to formulate and implement strategies that will provide a competitively superior fit between the organization and its environment so as to achieve organizational goals (Prescott, 1986). Managers ask questions such as “What changes and trends are occurring in the competitive environment? Who are our customers? What products or services should we offer? How can we offer those products and services most efficiently?” Answers to these questions help managers make choices about how to position their organization in the environment with respect to rival companies (Markides, 1997).

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administration and execution of the strategic plan. Managers may use persuasion, new equipment, changes in organization structure, or a reward system to ensure that employees and resources are used to make formulated strategy a reality (Daft, 2000).

Businesses vary in the processes they use to formulate and direct their strategic management activities. Small businesses that rely on the strategy formulation skills and limited time of an entrepreneur typically exhibit more basic planning concerns than those of larger firms in their industries. Understandably, firms with multiple products, markets, or technologies tend to use more complex strategic management systems. However, despite differences in detail and the degree of formalization, the basic components of the models used to analyze strategic management operations are very similar (Stevenson, 1976).

The final step in the strategic management process is implementation – which is how strategy is put into action. Some people argue that strategy implementation is the most difficult and important part of strategic management (Bourgeois et al., 1984). No matter how creative the formulated strategy, the organisation will not benefit if it is incorrectly implemented. In today's turbulent and competitive environment, there is an increasing recognition of the need for more dynamic approaches to formulating as well as implementing strategies. Strategy is not a static, analytical process; it requires vision, intuition, and employee participation (Feurer et al., 1995). Strategy implementation involves using several tools – parts of the firm that can be adjusted to put strategy into action. Once a new strategy is selected, it is implemented through changes in leadership, structure, information and control systems, and human resources (Galbraith et al., 1986).

Annual objectives, functional strategies, and specific policies provide important means of communicating what must be done to implement the firm's overall strategy. By translating long-term intentions into short-term guides to action, they make that strategy operational. But the overall strategy must also be institutionalized. That is, it must permeate the day-to-day life of the company if it is to be effectively implemented (Hitt et al, 1984).

Strategy researchers, writers and practitioners largely agree that every strategy context is unique (Wit and Meyer, 2001). Moreover, they are almost unanimous that it is usually wise for strategists to adapt the strategy process and strategy content to the specific circumstances prevalent in the strategy context. However, disagreement arises as soon as the discussion turns to the actual level of influence that the strategy context has. Some people argue or assume that the strategy context fully determines the strategy process and the strategy content. These determinists believe that strategists do not really have much liberty to make their choices. Rather, process and content are largely the result of circumstances that strategists do not control. On the other hand, people with a voluntarist perspective believe that strategists are not driven by context, but have a large measure of freedom to set their own course of action. Frequently it is argued that strategists can, and should, create their own circumstances, instead of being enslaved by the circumstances they find. In short, the strategy context can be determined, instead of letting it determine (Wit and Meyer, 2001).

According to Ansoff and McDonnell (1990), one source of difficulty in the strategy process comes from the fact that in most organizations the pre-strategy decision-making processes are heavily political in nature. Strategy introduces elements of rationality which are disruptive to the historical culture of the firm. A natural organizational reaction is to fight against the disruption of the historical culture and power structure, rather than confront the challenges

posed by the environment. Another difficulty is that implementation of new strategies triggers conflicts between previous profit-making activities and the new innovative activities. Many organizations typically do not have the capability, the capacity or the motivational systems to think and act strategically. Also, organizations generally lack information about themselves and their environment that is needed for effective strategic planning; nor do they have the managerial talents capable of formulating and implementing strategy (Ansoff and McDonnell, 1990).

It is evident from the existing literature that a lot of studies have been carried out in the area of strategic management in Kenya. For example, Aosa (1992) carried out an empirical investigation of aspects of strategy formulation and implementation within large, private manufacturing companies. The study investigated strategic management practices in Africa. Shumbusho (1983) studied corporate strategic planning in a survey of some selected Kenyan companies.

However, the focus of many of these studies has been on strategy formulation and not much attention has been given to strategy implementation. Aosa (1992) suggested that research could be extended to cover other sectors of the economy. He argued that a study with a narrower focus would achieve greater depth thereby providing further insights into the strategic management process in Kenya. Accordingly, he suggested that studies could focus on any of a variety of topics such as management training, managerial involvement in strategy, problems in strategy development and implementation.

## **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 liberalised in 1995 and exchange controls lifted. The CBK, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines.

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and also addresses issues affecting its members. There are forty-six bank and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus. Thirty-five of the banks, most of which are small to medium sized, are locally-owned. The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Six of the major banks are listed on the Nairobi Stock Exchange. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking.

Key issues affecting the banking industry in Kenya are: changes in the regulatory framework, where liberalisation exists but the market still continues to be restrictive; declining interest margins due to customer pressure, leading to mergers and reorganisations; increased demand for non-traditional services including the automation of a large number of services and a move towards emphasis on the customer rather than the product; and introduction of non-traditional

players, who now offer financial services products. The banking sector is poised for significant product and market development that should result in further consolidation of the banking sector.

### **Barclays Bank Kenya Limited**

The research set out to carry out an intensive investigation in an effort to understand challenges for implementing strategies. The unit of study was Barclays Bank Kenya Limited. Barclays Bank Kenya is a business unit of Barclays Africa, which in turn is a business unit of Barclays PLC. Barclays is a UK-based financial services group, with a very large international presence in Europe, the USA, Africa and Asia. It is engaged primarily in banking, investment banking and investment management. In terms of market capitalisation Barclays is one of the top ten largest banks in the world.

Barclays PLC (Group) has been involved in banking for over 300 years and operates in over 60 countries with more than 78,400 permanent employees. For the full-year ended December 31st 2004, the group achieved a pre-tax profit of Sterling £4,603 million up 20 per cent on 2003. Barclays PLC paid £1,289 million in taxes in 2004.

Its main operations are UK Banking, Private Clients, Barclays Stockbrokers, Barclays Private Bank, Gerrard, Barclays Financial Planning, International Banking, International Retail and Commercial Banking - Provides a range of banking services, including current accounts, savings, investments, mortgages and loans, as well as services to corporate customers across Spain, France, Portugal, Italy, Africa and the Middle East. It is also responsible for Barclays stake in FirstCaribbean International Bank. Barclays operates over 800 international branches.



Other businesses are Barclays Capital, Barclaycard and Barclays Global Investors.

Barclays Africa provides banking services to personal and corporate customers in North Africa, sub-Saharan Africa and islands in the Indian Ocean. The portfolio comprises banking operations in Botswana, Egypt, United Arab Emirates, Ghana, Kenya, Mauritius, Seychelles, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

Barclays Bank Kenya Limited is one of the leading banks in Kenya. Barclays Bank Kenya Limited opened its doors in 1916 and has operated continuously for 88 years. Barclays Bank Kenya Limited is currently the largest business unit in the Barclays Africa family in terms of contribution to profit and size of operations (BBK contributed 29% of the profit Barclays Africa made in 2004). In Kenya, it boasts of a balance sheet worth US\$ 1 billion which is equivalent to 10% of the country's GDP.

BBK is the market leader in the retail segment and is aggressively growing its corporate business with numerous world-class financial services products. The bank pioneered the concept of unsecured retail lending in Kenya where it currently holds a market share of 30%.

Barclays Kenya was listed on the Nairobi Stock Exchange in 1986 and currently has 33,600 shareholders. Its shares are some of the most sought after and are popular with both institutional and retail customers.

According to Barclays Bank Kenya Limited Annual Report 2004, financial strength, coupled with extensive local and international resources have positioned Barclays Bank Kenya Limited as a foremost provider of banking services. The Bank's financial performance over the years has built confidence among the 33,600 shareholders, with a reputation as one of the leading blue chip companies on the Nairobi Stock Exchange. BBK has established an extensive network of 69 outlets and a strong customer base of 440,000 customer accounts spread across

the country. All the outlets are computer linked making it possible for customers to access their accounts from any branch as if it were their own home branch for all their cash and cheque transactions. In addition it has 82 ATMs, the largest number by any bank in Kenya.

Barclays Bank Kenya Limited goal is to become the leading bank in Kenya in the eyes of its customers, its people, its shareholders and the communities in which it operates. Barclays Bank Kenya Limited strategy is to grow its business by deepening its relationship with existing customers and attracting the right quality of business from new customers. This is done in BBK by putting its customers and its people at the heart of its business; by working in a joined-up way; by being easy to do business with; by demonstrating its expertise in finance to its customers; and by offering products and services which meet the needs of its customers.

Strategies for Barclays Bank Kenya Limited are formulated by the executive committee at the corporate centre (Barclays Africa) in Johannesburg in South Africa. These strategies have to support the strategies of International Retail and Commercial Banking – an SBU of Barclays PLC. The strategies in BBK are then communicated and implemented through the local country management committee (CMC) that comprise of the top management. The CMC is responsible for the implementation of operational strategies and policies and is empowered by the Board to make general and operating business decisions. The Board must ratify all strategic and/ or policy decisions. The top management in BBK individually report to the respective function heads in the corporate centre. This is a complex structure and this study sets out to discover the challenges for implementing strategies in BBK – an organisation that is highly parented and does seem to be very successful locally.

## 1.2 Statement of the Problem

Strategic analysis and choice are of little value to an organisation unless the strategies are capable of being implemented (Johnson and Scholes, 2002). Strategic change does not take place simply because it is considered to be desirable; it takes place if it can be made to work and put into effect by members of the organisation. According to Daft (2000), one major shortcoming of strategy implementation in organisations is a failure to translate statements of strategic purpose, such as gaining market share, into an identification of those factors which are critical to achieving these objectives and the resources and competences which will ensure success.

## 1.3 Objectives of the Study

Identifying the appropriate resources and competences to support strategy implementation is important, but it will not result in successful implementation unless the organisation is also able to allocate resources and control performance in line with strategy (Daft 2000).

### (i) Identifying strategy implementation processes within Barclays Bank Kenya

According to Daft (2000), the difficulty of implementing strategy is greater when an organization is global. In the international arena, flexibility and superb communication emerge as mandatory leadership skills. Likewise, structural design must merge successfully with foreign cultures as well as link foreign operations to the home country. Information and control systems must fit the needs and incentives within local cultures. In a parented organisation, corporate strategy should clarify how and where a company can achieve parenting advantage. The challenge for managers in the SBU is to ensure that strategies are implemented that have a fit between the critical success factors of the SBU and the skills, resources and characteristics of the parenting organisation. Another challenge for the SBU is to optimise the fit between the parenting opportunities of the SBU and the skills, resources and characteristics of the parenting

organisation. The key questions to ask are: Are business objectives appropriate? Are major policies and plans appropriate? Do the results confirm or refute critical assumptions on which the strategies rest?

The researcher had observed that many strategies seem to get abandoned before being completed successfully yet there seemed to be no obvious changes in the environment and the strategies appeared to be attractive at the time of abandonment, while some other strategies seemed to be pulling apart – one strategy introducing certain changes while another strategy is undoing the changes.

### **1.3 Objectives of the Study**

The case study aimed at contributing to the understanding of the strategic management process by:

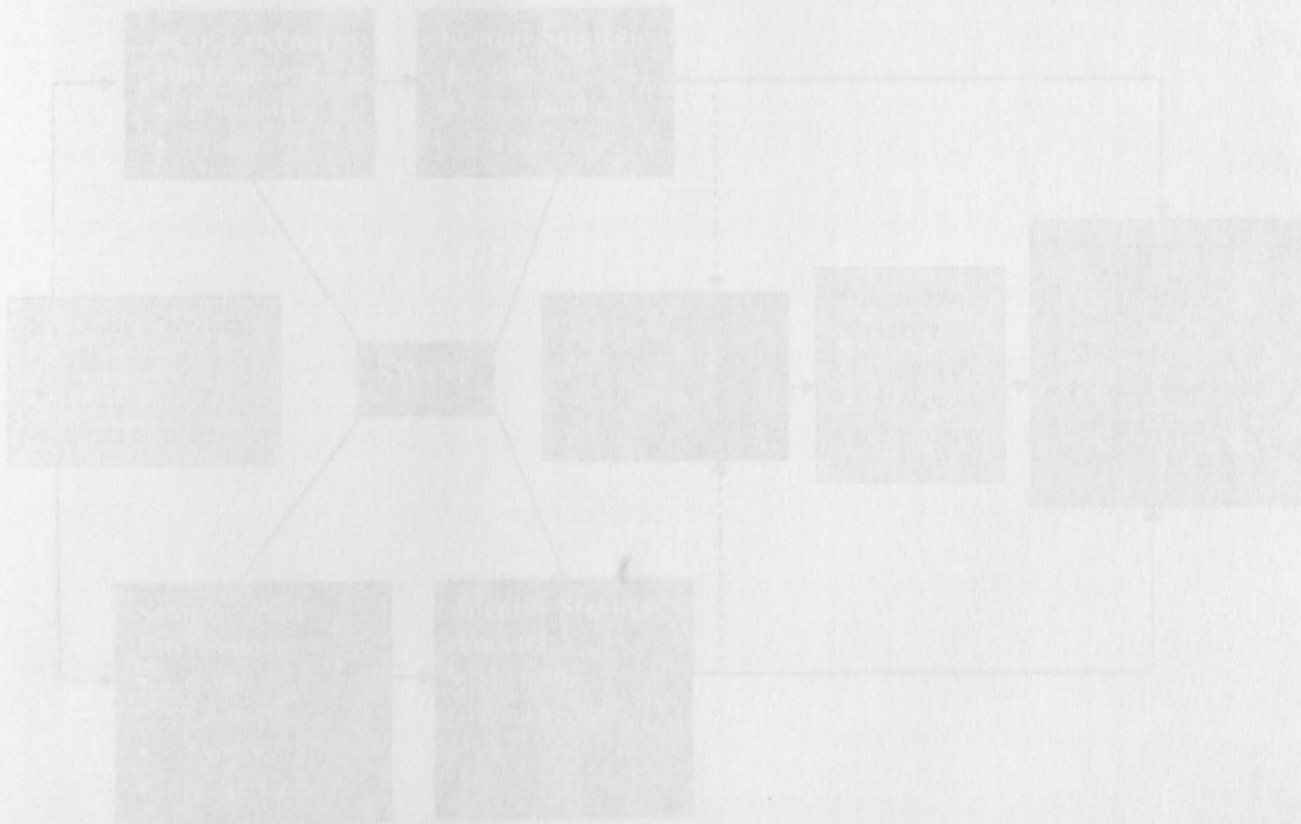
- (i) Identifying strategy implementation processes within Barclays Bank Kenya Limited.
- (ii) Establishing and documenting the challenges for implementing strategies within Barclays Bank Kenya Limited.

## 1.4 Significance of the Study

The study is of benefit in the following ways

- (i) Managers responsible for strategy may use the findings to come up with effective monitoring and control systems to mitigate challenges for strategy implementation
- (ii) The findings will contribute to professional extension of existing knowledge in strategic management by helping in understanding current challenges for implementing strategy in Barclays Bank Kenya Limited

Figure 1.1. The Strategic Management Process

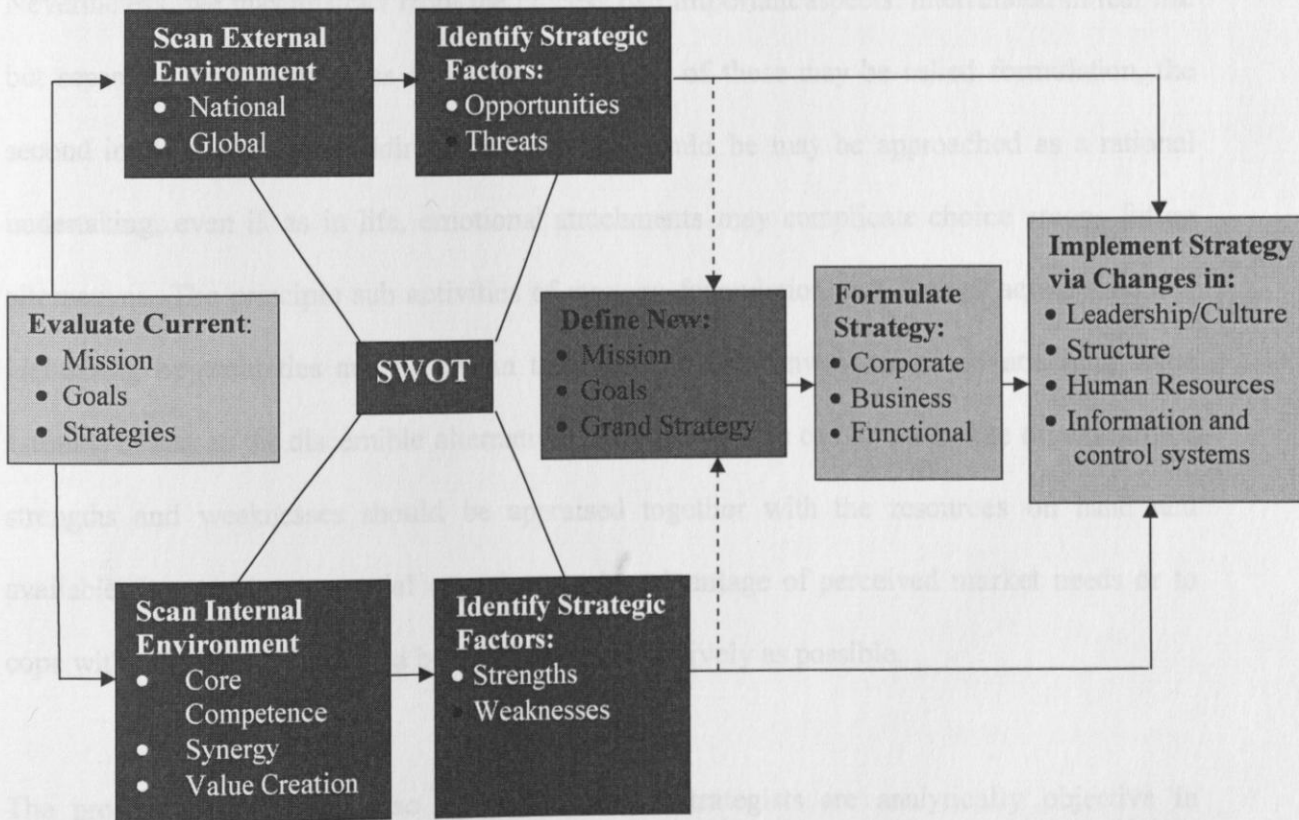


Source: Daft, R. L. (2007). *Management*, fourth edition, Nashville, The Dryden Press, 244

2.1 The Strategic Management Process

The overall strategic process is illustrated in figure 2.1. It begins when executives evaluate their current position with respect to mission, goals, and strategies (Daft, 2000). They then scan the organisation’s internal and external environments and identify strategic factors that may require change. Internal and external events may indicate a need to redefine the mission or goals or to formulate a new strategy at either the corporate, business, or functional level.

Figure 2.1. The Strategic Management Process



Source: Daft, R. L. (2000). **Management**, fourth edition, Nassville, The Dryden Press, 244

### 2.1.1 Situation Analysis

Situation analysis typically includes a search for SWOT – strengths, weaknesses, opportunities, and threats that affect organizational performance. Situation analysis is important to all companies but is crucial to those considering globalization and parenting opportunities because of the diverse environments in which they will operate (Daft, 2000).

### 2.1.2 Formulation of Strategy

Corporate strategy is an organization process, in many ways inseparable from the structure, behaviour, and culture of the organization in which it takes place (Wit and Meyer, 2001). Nevertheless, we may abstract from the process two important aspects, interrelated in real life but separable for the purposes of analysis. The first of these may be called formulation, the second implementation. Deciding what strategy should be may be approached as a rational undertaking, even if, as in life, emotional attachments may complicate choice among future alternatives. The principle sub activities of strategy formulation as a logical activity include identifying opportunities and threats in the organisation's environment and attaching some estimate or risk to the discernible alternatives. Before a choice can be made, the organisation's strengths and weaknesses should be appraised together with the resources on hand and available. Its actual or potential capacity to take advantage of perceived market needs or to cope with attendant risks should be estimated as objectively as possible.

The process described thus so far assumes that strategists are analytically objective in estimating the relative capacity of their company and the opportunity they see or anticipate in developing markets. The extent to which to undertake low or high risk presumably depends on

their profit objectives. The higher they set the latter, the more willing they must be to assume a correspondingly high risk that the market opportunity they see will not develop or that the corporate competence required to excel competition will not be forthcoming (Wit and Meyer, 2001).

So far the discussion has described the intellectual processes of ascertaining what an organisation might do in terms of environmental opportunity, of deciding what it can do in terms of ability and power, and of bringing these two considerations together in optimal equilibrium. The determination of strategy also requires consideration of what alternatives are preferred by the chief executive and perhaps by his or her immediate associates as well, quite apart from economic considerations. Personal values, aspirations and ideals do, and in the judgement of the researcher quite properly should, influence the final choice of purposes. Thus what the executives of an organisation want to do must be brought into the strategic decision.

Finally strategic choice has an ethical aspect – a fact more dramatically illustrated in some industries than in others. Some alternatives may seem to the executive considering them more attractive than others when the public good or service to society is considered. What an organisation should do thus appears as a fourth element of the strategic decision (Wit and Meyer, 2001).

## **2.2 The Implementation of Strategy**

The final step in the strategic management process is implementation – which is how strategy is put into action. No matter how creative the formulated strategy, the organisation will not benefit if it is incorrectly implemented. In today's turbulent and competitive environment, there is an increasing recognition of the need for more dynamic approaches to formulating as



well as implementing strategies. Strategy is not a static, analytical process; it requires vision, intuition, and employee participation (Mintzberg, 1994). Strategy implementation involves using several tools – parts of the firm that can be adjusted to put strategy into action. Once a new strategy is selected, it is implemented through changes in leadership, structure, information and control systems, and human resources (Nutt, 1989).

Since ineffective implementation can make a sound strategic decision ineffective and effective implementation make a debatable choice successful, it is as important to examine the processes of implementation as to weigh the advantages of available strategic alternatives (Daft, 2000). The implementation of strategy comprises a series of subactivities that are primarily administrative. If purpose is determined then the resources of an organization can be mobilized to accomplish it. An organizational structure appropriate for the efficient performance of the required tasks must be made effective by information systems and relationships permitting coordination of subdivided activities. The organizational processes of performance measurement, compensation, management development – all of them enmeshed in systems of incentives and controls – must be directed toward the kind of behaviour required by organizational purpose. The role of personal leadership is important and sometimes decisive in accomplishment of strategy. Although we know that organizational structure and processes of compensation, incentives, control, and management development influence and constrain the formulation of strategy, we should look first at the logical proposition that structure should follow strategy in order to cope later with the organizational reality that strategy also follows structure. When we have examined both tendencies, we will understand and to some extent be prepared to deal with the interdependence of the formulation and implementation of corporate purpose (Wit and Meyer, 2001).

### 2.2.1 Leadership for Strategy Implementation

Leadership is the ability to influence organization members to adopt the behaviours needed for strategy implementation. Leadership includes persuasion, motivation, and changes in corporate values and culture (Daft, 2000). Managers seeking to implement a new strategy may make speeches to employees, issue edicts, build coalitions, and persuade middle managers to go along with their vision for the corporation. According to Daft (2000), if leaders let other employees participate during strategy formulation, implementation will be easier because managers and employees will already understand and be committed to the new strategy. In essence, leadership is used to motivate employees to adopt new behaviours and, for some strategies, to infuse new values and attitudes. What kind of people can lead an organisation through major changes? This is the challenge for organisations implementing strategy. According to Daft (2000), the leadership has the ability to lead changes in the organisation's mission, strategy, structure, and culture, as well as to promote innovation in products, services and technologies. These leaders do not rely solely on tangible rules and incentives to control specific transactions with followers. They focus on intangible qualities such as vision, shared values, and ideas to build relationships, give larger meaning to diverse activities, and find common ground to enlist followers in the change process (Reuter, 1991).

Pearce and Robinson (1991) have argued that the role of the CEO in strategy implementation is both symbolic and substantive. First, the CEO is a symbol of new strategy. The CEO's actions and the perceived seriousness of his or her commitment to the chosen strategy particularly if that strategy represents a major change significantly influence the intensity of subordinate managers' commitment to implementation. Secondly, the personal goals and values of the CEO strongly influence the firm's mission, strategy, and the key long-term

objectives. To the extent that the CEO invests time and effort in the chosen strategy, he or she represents an important source for clarification, guidance, and adjustment during implementation.

A major concern of top management in implementing a strategy, particularly if it involves a major change, is that the right managers be in the right positions for the new strategy (Pearce and Robinson, 1991). Thus, one practical consideration in making key managerial assignments when implementing strategy is whether to utilize current (or promotable) executives or bring in new personnel. This is obviously a difficult, sensitive, and strategic issue.

Another challenge is that managers find it difficult to think through the relationship between a firm's culture and the critical factors on which strategy depend (Pearce and Robinson, 1991). Managers quickly recognise, however, that key components of the firm's structure, staff, systems, people, and style influence the ways in which key managerial tasks are executed and critical management relationships are formed. The implementation of a new strategy is largely concerned with adjustments in these components to accommodate the perceived needs of the strategy. Consequently, managing the strategy-culture relationship requires sensitivity to the interaction between the changes necessary to implement the new strategy and the compatibility of "fit" between these changes and the firm's culture. Pearce and Robinson (1991) conclude that organisational culture, the shared beliefs and values of an organisation's members, may be a major help or hindrance to strategy implementation.

## 2.2.2 Importance of Structural Design in Strategy Implementation

Structural design typically begins with the organizational chart. It pertains to managers' responsibilities, their degree of authority, and the consolidation of facilities, departments, and divisions. Structure also pertains to the degree of decentralization, task design, and production technology. According to Swartz (1985), successful strategies require properly matched organization structure. If an organization significantly changes its strategy, it needs to make appropriate changes in its overall structural design.

According to Daft (2000), when the external environment is more stable, the organization should have a traditional structure that emphasizes vertical control. There is little need for change, flexibility, or intense coordination. The structure can emphasize specialization, centralized decision making, and wide spans of control. When environmental uncertainty is high, a horizontal structure that emphasizes lateral relationships such as teams and task forces is appropriate. Vertical structure characteristics such as specialization, centralization, and formalized procedures should be downplayed. In a certain environment, the organization figures things out as it goes along, departments must cooperate, and decisions should be decentralized to the teams and task forces working on specific problems. When managers use the wrong structure for the environment, reduced performance results. A rigid, vertical structure in an uncertain environment prevents the organization from adapting to change. Likewise, a loose, horizontal structure in a stable environment is inefficient. Too many resources are devoted to meetings and discussions when employees could be more productive focusing on specialized tasks. Many companies are forced to alter their structures as the environment changes. The nature of the environment is that it can be uncertain. Environmental uncertainty means that decision makers have difficulty acquiring good information and

predicting external changes. Uncertainty occurs when the external environment is rapidly changing and complex.

Another characteristic identified by Daft (2000) of the organization's situation that influences structure is interdependence. Interdependence means the extent to which departments depend on each other for resources or materials to accomplish their tasks. A low level of interdependence means that departments do their work independently and have little need for interaction, coordination, or exchange of materials. A high level of interdependence means that departments must constantly exchange information and resources.

The challenge for managers is to know whether to design a structure that emphasizes the formal, vertical hierarchy or one with an emphasis on horizontal communication and collaboration and how to balance interdependence between departments. Another challenge for parented SBUs is that the structure is more likely to be aligned to the parent and may not cope with environmental and strategic change.

### **2.2.3 Information and Control Systems in Strategy Implementation**

This include reward systems, pay incentives, budgets for allocating resources, information systems, and the organization's rules, policies, and procedures. Changes in these systems represent major tools for putting strategy into action. For example, resources can be reassigned from research and development to marketing if a new strategy requires increased advertising but no product innovations. Managers and employees must be rewarded for adhering to the new strategy and making it a success (Gupta et al., 1984).

Pearce and Robinson (1991) argue that the execution of strategy ultimately depends on individual organizational members, particularly key managers, and motivating and rewarding good performance by individuals and organizational units are key ingredients in effective strategy. A firm's reward system should align the actions and objectives of individuals and units with the objectives and needs of the firm's strategy. They argue that the time horizon on which rewards and sanctions are based is a major consideration in linking them to strategically important activities and results. The challenge for organisations is to integrate long- and short-term concerns reward systems so that the latter must be based on the assessment and control of both the short-run and long-run (strategic) contributions of key managers. Short- and long-term performance considerations must be integrated to ensure performance consistent with a firm's strategy.

Aosa (1992) carried out an empirical investigation of aspects of strategy formulation and implementation within large, private manufacturing companies. He noted that companies which maintained links between strategies and budgets were significantly more successful in implementing strategy than those not maintaining such links. On the other hand, managerial involvement, management training and use of various investment evaluation criteria had mixed effects on success in implementing strategy.

Differences and similarities existed between the results (Aosa, 1992) and those generated in other countries (developed and developing). Environmental and company factors were cited as explanations for these variations. It may not have been possible to draw general conclusions due to the methodological limitations of the study. However, the results did provide insights into aspects of strategy development and implementation in Africa. The study found out that companies which maintained various links between strategy development and implementation

were more successful in implementing strategy than those not maintaining such links. He observed linking strategy to budgets is important for successful strategy implementation. A major purpose of strategy is the identification of key issues and priorities in a company. The budget is then used as a tool for control and resource allocation. Resources are best allocated according to the key issues and priorities identified in a company's strategy - hence the importance of specifying strategy before budgets are developed.

The study (Aosa, 1992) focused on large, private manufacturing companies operating in Kenya. The researcher suggested that research could be extended to cover other sectors of the economy. This way, a comprehensive understanding of strategy processes in organisations in Kenya would develop. This study focused on understanding challenges for strategy implementation in Barclays Bank Kenya Ltd. by identifying the processes and challenges faced in implementing strategies in the organisation.

#### **2.2.4 Human Resources in Strategy Implementation**

The organization's human resources are its employees. The human resource function recruit, selects, trains, transfers, promotes, and lays off employees to achieve strategic goals. For example, training employees can help them understand the purpose and importance of a new strategy or help them develop the necessary specific skills and behaviours. Sometimes employees may have to be let go and replaced.

Swartz (1985) argues that the challenge to management is that it might need to recruit, select, train, discipline, transfer, promote, and possibly even lay off employees to achieve the organization's strategic objectives. He further argues that since more and more organizations

are using teams, the ability to build and manage effective teams is an important part of implementing strategies. Noting that management leadership is a necessary ingredient in a successful strategy, so, too, is a motivated group of middle- and lower-level managers who carry out senior management's specific plans.

Okuto (2002) set out to study the human factor in implementation of strategic change within large manufacturing firms in Nairobi. The major findings were that change implementation in the manufacturing firms ignores the important details and use of proper communication strategies.

### **2.3 Strategy in Different Contexts**

Kang'oro (1998) set out to discover the state of strategic management practices in public sector organisations in Kenya. The findings of the study indicated that public sector organisations do engage in strategic management to varying degrees. They had well articulated missions, objectives, strategies and plans. However, lack of commitment to the same by top management and other employees of the organisations resulted in poor implementation. As a result the benefits of the use of strategy suggested in the literature reviewed were not enjoyed by these organisations.

Shumbusho (1983) on corporate strategic planning in a survey of some selected Kenyan companies observed that several factors were found to be affecting the present state of corporate strategic planning. First, the involvement of the board of directors was found to be very important. It ensured that there was no separation between planning and decision-making. Their involvement also provided the visible evidence of the importance attached to planning



and so encouraged the rest of the company to accord it the attention it deserved. Secondly, the role played by the chief executive was found to be quite important. The researcher found out that without the active support and involvement of the chief executive corporate strategic planning could never get off the ground. The third important factor the researcher found affecting the development of corporate strategic planning is that of line management. According to the researcher, corporate planning can not be imposed; it will only work if line management want it. It must heavily involve line management if it is to stand any chance of acceptance. This finding would seem to be in disagreement with the view of imposed strategy (Johnson and Scholes, 2002) though the study in principle confirmed the importance of leadership in the strategy management process. Strategies in parented companies are mostly imposed.

Strategy researchers, writers and practitioners largely agree that every strategy context is unique (Wit and Meyer, 2001). The strategic issues in the industry environment revolve around the question whether the industry circumstances set the rules to which companies must comply, or companies have the freedom to choose their own strategy and even change the industry conditions. The key strategic issues in the organizational context have to do with the question of whether the organizational circumstances largely determine the strategy process and strategy content followed, or whether the strategists has a significant amount of control over the course of action adopted. A second dichotomy employed is that between the domestic and the international strategy context. The domestic context does not raise any additional strategic issues, but the international context clearly does. Strategists must deal with the question whether adaptation to diversity of the international context is strictly required or companies have considerable freedom to choose their strategy process and content irrespective of the international context.

### 2.3.1 Strategy in Transnational Corporations

The success of a transnational corporation is dependent on the ability to simultaneously achieve global competencies, local responsiveness and organisation-wide innovation and learning. This requires some degree of clarity as to the roles which the various global managers need to perform (Teece, 1984). For example, those responsible for global products or businesses have the overriding responsibility to further the company's global competencies, which will cross both national and functional boundaries. Managers of countries or territories must act as a sensor of local needs. They must be able to build unique competences: that is, become a centre of excellence which allows them to be a contributor to the company as a whole. Managers of functions such as finance and IT have a major responsibility for ensuring worldwide innovation and learning across the various parts of the organisation. The critical issue is the role played by the corporate managers, which is vital in the transnational corporation in integrating these other roles and responsibilities. Not only are they the leaders, but they are also the talent spotters among businesses, country and functional managers, facilitating the interplay between them (Daft, 2000).

### 2.3.2 The Role of the Corporate Centre

In large organisations, most of the managerial activity which occurs between the centre of the organisation and its parts – departments, division or subsidiaries – has tended to be concerned with targeting and controlling the activities of those managing the parts (Johnson and Scholes, 2002). They argue that, if organisations are to benefit from increased devolution, these activities of assessing the performance and value added by each part of the organisation remain important. However, a critical question which also needs to be answered is: what value does

the centre of the organisation add to activities of these separate parts? So asking the radical question, 'Do we need a centre at all?' can be a valuable discipline in understanding the role of the centre of the organisation and the centre/parts relationship. Johnson and Scholes (2002) have identified many different ways in which the centre (as a good parent) can add value. These include improving efficiency – perhaps through scale advantages from resource sharing, particularly in the use of infrastructure, support services and other overhead items. Another way is through providing a strong external image from which smaller units can benefit, and accessing external networks better than any separate unit. Others include providing expertise and services not available within smaller units; providing investment, particularly during the early days of new ventures; mitigating risk which smaller units inevitably run, and easing the problems created by the variety and variability of demands from customers; encouraging collaboration and co-ordination of effort; fostering innovation through the management of the knowledge creation process; and setting standards, assessing performance of individuals and units, and intervening to improve performance.

#### **2.4 Implementation of Strategy in a Parented Company**

The levels of management above that of the business units and therefore without direct interaction with buyers and competitors are referred to as the Corporate Parent. In a parented organisation, corporate strategy should clarify how and where a company can achieve parenting advantage. Corporate parenting is the search for a fit between the skills of the corporate centre and the strategies of SBUs so as to add value to those SBUs. The challenge for managers in the SBU is to ensure that strategies are implemented that have a fit between the critical success factors of the SBU and the skills, resources and characteristics of the parenting organisation. Another challenge for the SBU is to optimise the fit between the

parenting opportunities of the SBU and the skills, resources and characteristics of the parenting organisation. A corporate parent has to take a view on how it will relate to and seek to enhance the strategies of Strategic Business Units (SBUs). There are parents who seek to operate in a portfolio management style, with slim corporate head office staff seeking to balance investments in businesses by reviewing acquisition targets, buying wisely and divesting poor performers. A second role is a restructurer of businesses. A parent may also seek to add benefits to businesses by helping with the interrelationships between the businesses themselves. The corporation may seek to transfer skills and competencies from one business unit to another. Unfortunately, skills are not always that easily identifiable or transferable because the businesses or their markets are dissimilar (Johnson and Scholes, 2002).

According to Porter (1996), successful parents focus on relevant opportunities, have unusual insights into how to create value, excel at being mutually supportive and avoid 'parenting misfit.' Thus, a corporate parent may create or destroy value. Value adding activities include increasing efficiency and leverage, expertise, competence building, fostering innovation, mitigating risk, image and network building, setting standards of performance and assessment, intervention and creating the vision. Activities that can destroy value include adding cost, bureaucracy, delay, empire building and increases in politics.

While adoption of a standardized strategy may be desirable under certain conditions, there are a number of constraints that severely restrict the firm's ability to develop and implement a standardized strategy. According to Johnson and Scholes (2002), the numerous external constraints that impede standardization include government and trade restrictions; differences in the marketing infrastructure, such as the availability and effectiveness of promotional media; the character of resource markets, and differences in the availability and costs of resources; and

differences in competition from one country to another. In addition to such external constraints on the feasibility of a global standardization strategy, there are also a number of internal constraints that may need to be considered. These include compatibility with the existing network of operations overseas, as well as opposition or lack of enthusiasm among local management toward standardized strategy.

## 2.5 The Challenge of Parenting

In strategy there are no guarantees (Johnson and Scholes, 2002). It is impossible to demonstrate conclusively that a particular strategy is optimal or that it will work. Different corporate bodies will choose to exercise different roles in regard to parenting. However, whatever the role, it is important to ask a number of questions. If the parent is not enhancing the strategies of the SBU, what is its role? A large and costly corporate headquarters which does little to enhance the strategies of its SBUs can be a great cost burden to SBUs, thus undermining potential market-based competitive advantage, and so reducing the overall returns.

According to Johnson and Scholes (2002), if the corporate body seeks to enhance the strategies of the SBUs, it must be very clear that there is a match between its skills in so doing and the help which the SBUs require to achieve competitive advantage. It must avoid undertaking roles which do not enhance strategies at the SBU level. For example, the corporate parent may impose cumbersome strategic planning more to do with providing information to the centre than with aiding the strategic development of the units; it may retain a large head office staff which duplicate the roles of executives in SBUs; or it may make demands on SBU strategy that are not sensible for that SBU.

Johnson and Scholes (2002) argue that the challenge for the SBU is to ensure that: the strategy must not represent mutually inconsistent goals and policies; the strategy must represent an adaptive response to the external environment and to the critical changes occurring within it; the strategy must provide for the creation and/or maintenance of a competitive advantage in the selected area of activity; and that the strategy must neither overtax available resources nor create unsolvable sub-problems.

### 3.1 Research Design

Johnson and Scholes (2002) conclude that another challenge for the SBU is that there are no infallible indicators for strategy evaluation. However, they suggest that asking certain questions will lead to reliable intuitive judgement. Typical questions: Is the strategy identifiable and made clear? Exploiting environment opportunities? Consistent with resources and competences? Supported by appropriate policies? One which carries acceptable risk? Matched to the beliefs, values and aspirations of key managers? Making the desired contribution to society? Sufficient to energise the organisation? One where there will be early indications of success? They note that most firms undertake comprehensive evaluation of strategy infrequently. When it does occur it is normally triggered by some event, e.g., change in leadership, poor financial performance, crisis etc. A good strategy does not need constant reformulation – it is a framework for solving problems.

It is against this background that this researcher found it necessary to study the processes of implementing strategies in BBK. with the objective of establishing and documenting the challenges for implementing strategies in that particular context.

## CHAPTER THREE: RESEARCH METHODOLOGY

The study was about challenges for strategy implementation in Barclays Bank Kenya Limited. It involved understanding the processes and challenges for implementing strategies in BBK. The pertinent primary and secondary data was collected to meet the objectives of the study.

### 3.1 Research Design

The case study method was selected because it enabled the researcher to have an in-depth understanding of the behaviour pattern of the concerned unit. It is a method of study in depth rather than breadth. The case study method deals with the processes that take place and their interrelationship. The object of the case study method is to locate the factors that account for the behaviour patterns of the given unit as an integrated totality (Kothari, 2002).

Rukungu (2003) used the case study method to study strategic change management practices in Kenya - The case of Nairobi Bottlers Limited.

### 3.2 Data Collection

The personal interview method was used for primary data collection. According to Kothari (2002) this method is particularly suitable for intensive investigation. Questions were administered in a semi-structured way. The semi-structured interview is one with predetermined questions with an open-ended format that are asked of all respondents in the same manner (York, 1998). In a semi-structured interview, open-ended questions provide the interviewer with greater freedom and less restriction (Kadushin, 1990).

Primary data was collected by interviewing the eighteen executives and functional heads that are the members of the country management committee and are the people responsible for strategy implementation in BBK. The executives and functional heads were the head of card services, the regional head of information technology service management, the regional retail director, the corporate director, the risk director, the head of treasury, the regional head of assurance, the head of non-financial risk, the head of Barclays Securities Services, the finance and planning director, the managing director, the head of procurement, the regional service director, the regional human resources business partner, the head of asset finance, the head of transformation, the head of Property Services, and the head of marketing and community affairs

Secondary data was collected by checking relevant information from the company records such as financial statements, employee climate surveys and staff magazines (The Barclays Globe and The Country Focus).

### **3.3 Data Analysis**

The data, after collection, was processed and analysed in accordance with the objectives of the study. Analysis was about searching for patterns of relationships that existed among data-groups. The technique that was used is content analysis. This is a research method that uses a set of categorization for making valid and replicable inferences from data to their context (Rubin and Piele, 1990). The technique was selected on the basis that subjecting the collected data to content analysis allows the researcher to learn about underlying attitudes, biases, or



repeating themes. This type of analysis has been used in similar studies in the past including Kiptugen (2003), Bett (1995), Kombo (1997), Njau (2000), and Kandie (2001).

The collected data has been analysed and interpreted in line with the aims of the study, namely, identifying the strategy implementation processes within Barclays Bank Kenya Limited, and establishing and documenting the challenges for implementing strategies within BBK.

#### 4.1 Barclays Bank of Kenya Limited Profile

Barclays Bank Kenya Limited is one of the leading banks in Kenya. BBK opened its doors in Kenya in 1916 and has operated continuously for 89 years. Barclays Bank Kenya Limited is currently the largest business unit in the Barclays Africa family in terms of contribution to profit and size of operations (BBK contributed 39% of the profit Barclays Africa made in 2004). BBK balance sheet is worth US\$ 1 billion which is equivalent to 10% of the GDP.

Barclays Bank Kenya Limited was listed on the Nairobi Stock Exchange in 1988 and currently has 33,600 shareholders. According to BBK's annual report for 2004, financial strength, coupled with extensive local and international resources have positioned Barclays Bank Kenya Limited as a foremost provider of banking services. The Bank's financial performance over the years has built confidence among the shareholders, with a reputation as one of the leading blue chip companies on the Nairobi Stock Exchange. BBK has established an extensive network of 69 outlets and a strong customer base of 440,000 customer accounts spread across the country. All the outlets are computer linked making it possible for customers to access their accounts from any branch as if it were their own home branch for all their cash and cheque transactions. In addition it has 81 ATMs, one of the largest numbers by any bank in Kenya.

## CHAPTER FOUR: FINDINGS AND DISCUSSIONS

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Barclays Bank Kenya Limited goal is to become the leading bank in Kenya in the eyes of its customers, its people, its shareholders and the communities in which it operates. Barclays Bank Kenya Limited strategy is to grow its business by deepening its relationship with existing customers and attracting the right quality of business from new customers. This is done in BBK by putting its customers and its people at the heart of its business; by working in a joined-up way; by being easy to do business with; by demonstrating its expertise in finance to its customers; and by offering products and services which meet the needs of its customers.

One finding of the study was that the Transformation Department manages strategic change in Strategies in Barclays Africa (and thus for BBK) are formulated by the executive committee in the corporate centre in Johannesburg in South Africa. These strategies have to support the strategies of International Retail and Commercial Banking – an SBU of Barclays Bank PLC. The strategies in BBK are then communicated and implemented through the local country management committee (CMC) that comprise of the top management (appendix IV). The top management in BBK individually report to the respective function heads in the corporate centre. This is a complex structure and this study set out to discover the challenges for implementing strategies in BBK – an organisation that is highly parented and does seem to be very successful locally measured by its financial performance. The bank was in 2004 voted the best bank in the East Africa region by top 250 CEOs in East Africa and the best bank in Kenya by the Euromoney and Banker Magazines. According to Euromoney magazine, Barclays Bank Kenya Limited is the leading bank in the country and is among the nine largest banks that, according to the magazine, account for approximately 75% of total Kenyan bank assets. According to the magazine, BBK contributed a third of the total pre-tax profits of the banking sector in 2003.

The profit before tax for the financial year ended 31 December 2004 was Shs 5,391 million, up from Shs 4,790 million recorded in 2003, reflecting an impressive 12.5% increase considering the challenges in the banking sector where the overall margins were low and competition for quality lending and deposits was very fierce.

#### **4.2 Management of Strategic Change in Barclays Bank Kenya Limited**

One finding of the study was that the Transformation department manages strategic change in BBK. Through different communication channels, the change committee, alongside the Strategic Committee, conveys to all levels of the organisation once a need for change has been identified. The change committee, in addition to recommending initiatives, also has the responsibility to implement ideas from the strategic or country management committees. Each strategic change had to have a sponsor who sat in the country management committee. Transformation support to change management include project management skills, stakeholder management and communication, governance and controls, risk and dependency management, benefits management, management information reporting, procurement and third party and resource management.

#### **4.3 The Strategy Implementation Processes within Barclays Bank Kenya Limited**

Barclays Bank Kenya Limited started its strategy process by analysing its markets, customers, competitors and its own performance and potential. It identified the customer groups that would create the most value, and decided that BBK could make the most of the opportunities ahead through targeted investment and major improvements in efficiency and quality.

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In April 2004, Barclays announced a new business model (appendix II and III) explaining the Core and Developing Businesses portfolios. This model was to give BBK the opportunity to really deliver what its people and its customers needed: a bank that worked together for the benefit of all. BBK strategy is to offer world class services and products to its chosen customers, taking care to look at everything it does from the twin perspectives of its customers and its people.

From the study literature, the strategic management process is through changes in Leadership, culture, structure, human resources, information and control systems (figure 2.1). Six key elements of the strategy implementation processes in BBK were identified during the study and they are Focus on Customers, Reduction on Costs, Changes in structure and Leadership, Executing Effectively at Speed, Changes in Organisational Culture and People Development. The six key processes of implementing strategies in BBK are discussed below.

### 4.3.1 Focus on Customers

One element of the BBK strategy was to focus on customers who created the greatest value. This strategy was built on identifying the potential value to the business of each of its different customer groups that created most value by offering the customers the products and services they needed. This approach led to the launch of tailored solutions - Business Solution for local business customers and Asset Finance aimed at larger corporates.

The bank introduced more innovative products and exemplary service to its customers in 2004. During the year, the bank entered the mortgage market with its 'easy to own' home loan product. This product targeted both existing customers and non-customers who desired to own a home or who would have liked to release equity tied up in existing homes. The bank launched a self service branch at the village Market, Nairobi. This self service branch, the first of its kind in the East African region, opened for longer hours, offered interactive services such as cash machine with a deposit function, service phones that connect to the bank's telephone banking system and the Barclaycard centre for credit card queries. Fifteen ATMs were added to the branch network, increasing the total number of ATMs from 67 to 82. This was a welcome boost to the bank's customers and demonstrated that BBK was committed to providing its customers with the most convenient access to their money.

BBK's partnership with local business customers grew through the provision of quick and convenient access to much needed credit. Members of the 'Local Business Club' continued to benefit from up-skilling initiatives, networking events and specialist advice. During the year, the bank facilitated two successful trips to Dubai for about 500 Business Club members which

gave them an opportunity to formulate new business partnerships, learn new business trends and network with their counterparts in Dubai.

Corporate banking continued its strong growth momentum and achieved record results in 2004. The bank's corporate customer base had made tremendous strides over the past two years and it was now by far the most dominant corporate bank in Kenya. Aggressive new customer acquisition, as well as significant broadening of the corporate product offering underpinned this growth. The launch of innovative new products such as 'Cheque-mate' enabled the bank to achieve superior electronic payment capability, whilst minimising the element of risk, in particular fraud.

Corporate banking was also at the forefront of all the major structured transactions undertaken in Kenya during the year 2004, the key highlights being the lead Arranger Status on the Kenya Ports Authority capital expansion programme and the Celtel Syndicated Loan. The latter was the largest syndicated loan transaction undertaken in Kenya at a value of Shs 6 billion, and was fully subscribed.

The ability to sustain this growth obviously called for a radical improvement in the service offered to corporate customers. Following the successful launch of the first Corporate Service Centre in BBK's Barclays Plaza, a second Centre was opened at the Enterprise Road branch in October 2004 to cater for the high concentration of corporate customers in the industrial area. These centres were dedicated to the specialised needs of corporate customers and had fully integrated service offering that enabled seamless execution of transactions. In addition, these centres were equipped with state-of-the-art technology which provided a tracking mechanism on every transaction from source to execution. Over the year 2004, Barclays focused its

attention on value creating groups including Prestige, Barclaycard and telephone banking for personal customers and Merchant banking for corporate customers. In line with the bank's stated ambition of providing world-class customer service, BBK planned to continue investing heavily in opening new centres and differentiating its service offering even further in 2005.

To ensure BBK met the needs of its target customers, Barclays improved the quality of its services by reorganising its branch network to suite customer demands. This meant that BBK commissioned more branches, but they were made smaller and targeted at the needs of specific customer groups – for example, Prestige branches and Corporate banking suites. With product upgrades, enhanced services simplified account requirements and streamlined processes. The refreshed business solution range of products and services offered local business customers even more ways to manage their business finances efficiently.

Another change was in investing in new technology and re-engineering of key processes so that BBK could offer higher levels of service. For example, the account opening process was made more efficient (the new process was called KYC – Know Your Customer) and ATM reliability improved – uptime was now typically between 98% and 100% from 94% in 2003. New developments in IT included the implementation of systems that had reduced risk, systems that made communication faster and more secure, and automated processes such as loan applications. Over 100 million Shillings was spent improving the IT and operational infrastructure alone – that is the technology that enables BBK to run its business every day. The new technology changed the way the business was operating, by allowing different systems to plug into each other.



Thus, BBK radiated, internally and externally, an obsession with great customer service. This was done by ensuring that the customer was at the centre of everything that was being done in BBK. A system was developed to log in issues identified by customers (internal and external customers). A customer service improvement office was appointed in 2004 to look at operational errors. This office had the job of looking at the errors that were being made during key processes and recommending ways of eliminating the errors or at list minimising the errors. A compliance officer who was a direct report to the MD ensured that customers' complaints were addressed in good time and that there were no repeat incidences.

Looking forward into 2005, BBK wished to ensure that its customers received radically improved service in the branches and prestige centres. The bank's intention was to ensure that its customers would want to be nowhere else, but BBK.

#### **4.3.2 Reduction on Costs**

Reducing BBK's running costs helped BBK achieve its profit goals. One measure Barclays Africa took to reduce its Sterling Pound cost base was the decision to move its head office from its current bases in London and Poole in the United Kingdom to Johannesburg in South Africa. The move improved communication between head office functions and Barclays' in-country operations and enabled BBK to get much closer to its businesses and its customers. BBK investment in technology and the centralisation and automation of key processes also helped BBK reduce costs. The investment budget for information and communications technology for the year 2004 was Shs 340 million.

Following several years of restructuring and investment, total expenses in 2004 declined by 16.5% to Shs 6,471 million (2003: Shs 7,539 million) benefiting from a one – off gain of Shs 655 million arising from converting the pension scheme from defined benefits (DB) to direct contribution (DC) on a voluntary basis. While the level of restructuring spend declined in 2004 compared to 2003, from Shs 663 million to Shs 252 million, BBK continued to commit substantial costs to strategic investments in operating systems and other process improvements.

Barclays Bank PLC manages its business using managing for value principles. It was important that all people in BBK understand these principles and make business decisions in a value focussed way. To help embed this model, an awareness programme was launched in 2004 that was rolled out across the African business.

BBK invested considerable time to develop and launch a series of workshops for different audiences on managing for value. This course brought to life what managing for value meant for BBK and the importance of managing costs. It was intended that all staff would attend one of these events over the course of 2004 and 2005. This would support Barclays PLC ambitions of embedding managing for value in Barclays Africa (and in BBK), developing its people and capabilities and fulfilling its commitments to the Group regarding managing for value.

#### **4.3.3 Changes in Structure and leadership**

Business diversification was only going to be beneficial if BBK was regarded by its owners and by the stock market as worth more than the sum of its parts. Creating value from portfolio diversity required leaders who thought and behaved from an enterprise-wide perspective. Thus, leadership was changed to enable the right calibre of people lead the organisation.

Over the year 2004, BBK successfully repositioned itself to meet its goal of becoming the leading bank in Kenya. It had a very clear plan and Group support for the plan. Its focus on hitting the numbers, improvement on its risk profile and team work reaped rewards. BBK also successfully focussed on the customer in the second half of the year. Also, BBK worked hard at improving its propositions and was investigating new opportunities and new markets.

To ensure that BBK succeed in achieving its goal, it realised that it needed to look again at how it organised its business to deliver its strategy, meet on its economic profit targets and align to the group structure. It needed to aggressively grow its presence in markets where it could derive significant value and ensure its core business continued to deliver and grow.

In the year 2003, the Africa Executive Committee visited all Barclays PLC Group businesses, experiencing its current operating model and interacting with its people, its Boards and Regulators. This experience and the direct feedback and the Employee Opinion Survey clearly indicated to the Executive Committee a need to change. Over the first four months of 2004, the Executive Committee looked at ways to improve how Barclays operated. To this end, a new leadership model was developed for Barclays Africa (appendix II and III). This brought about synergies; significantly improved ways of working in BBK, and brought BBK closer together and helped deliver great service to BBK's customers.

As Core Businesses was to be Barclays' largest customer, Service Delivery was made to report into Core Businesses. All operations (including Treasury back office), IT, Operational Rigour and Process Management remained under the banner of Service Delivery, providing support to both the Core and Developing Business areas. This brought BBK's sales and operations closer together and exploited synergies, significantly improving BBK's ways of working together.

Underpinning BBK's business strategy was a set of world-class support functions (appendix IV). In addition to the existing functions – Finance, Human Resources, Risk, Marketing and Communications – there was a completely new function, called Transformation. This function was designed to help BBK achieve its strategic goal of transforming BBK into a market leading business. The function facilitated change across the business and mapped out the path through which BBK's business migrated to target. The Transformation function was created to design World Class business solutions in partnership with each part of BBK's business to ensure that BBK exceeded its business targets and delivered change in a cohesive, benefits-driven manner, which fully complied with the Barclays PLC Group governance standards. Transformation provided World Class leadership, delivering business change via professional change managers, who facilitated thought leadership to ensure that BBK delivered truly World Class solutions.

Members of the leadership team worked to clarify roles and responsibilities to make sure Barclays Bank Kenya Limited was ready to tackle the challenges that would face Barclays in future.

#### **4.3.4 Executing effectively at speed**

BBK served many different kinds of customers and clients but whenever they were served by BBK, customers expected BBK to get the basics right promptly. This led to most processes getting automated (for example voucher processing) and a lot of resources were invested in staff training programs with BBK's. The philosophy in BBK became "getting it right first time all the time."

According to the respondents, BBK's flexibility hinged on BBK being seen by its owners to be highly productive - as a result its cost: income ratio needed to be top quartile. For example, a new desktop and email infrastructure was successfully implemented throughout BBK in 2004. The new standardized platform increased productivity of BBK's systems, provided greater security due to improved virus prevention and software licensing procedures and was now fully compliant with the Group's mandated security standards. The updated technical platform was able to support new technologies going forward. The greatest benefit of the upgrade was the associated up-skilling of BBK's workforce.

BBK also merged service delivery Operations and Loans operations centres to bring all processing capabilities together, resulting in huge cost savings and productivity improvements. A number of functions were outsourced in 2004. Collections Africa Limited was sourced for debt recovery, Credit Reference Bureau for credit assessment, Securicor Kenya Limited for internal mailing, cash handling and for management of third party site ATMs. Also outsourced were transport services. The respondents were of the opinion that outsourcing was a step towards improving productivity by allowing BBK to concentrate on its key activity – financial services.

Employee engagement was the key to customer/client warmth and it was a proxy for future growth. This meant that employees were fully engaged in the processes of implementing strategies so as to increase their degree of understanding and ownership. With engaged employees, it was easier to deliver targets more expeditiously. The employee opinion survey is one activity that was in place in BBK for engaging employees. This is an annual activity in BBK. Focus groups were in place to address the issues identified by employees and by this employees had a say with the way the business was run.

### 4.3.5 Changes in Organisational Culture

To ensure that behaviours in BBK supported BBK's ambitions, values and principles that guided the members of staff as they worked were revisited. A small group of senior leaders was appointed by the CEO to put together a statement of the "guiding principles." The CEO shared the guiding principles during the first half of 2004. The message that was emphasised by the CEO was that in a high performance organisation, delivering great results was not just getting the mechanics right. It was also about the way in which BBK achieved the results. Increasingly, BBK was to be a place where people were measured on how they do things as much as on what they achieved.

### 4.3.6 People development

BBK's ambition was to be regarded as an exemplar organisation in terms of the way BBK performed – for its people, its customers, the communities in which BBK worked – and the value that was created for BBK's shareholders. According to the CEO, companies that were exceptional at value creation shared common characteristics. The most important that came to his mind was the fact that they were held together by a high performance culture that 'glued' the corporation together. This type of culture was determined and shaped by having a single set of guiding behaviours that every employee understood, endorsed and demonstrated to their colleagues and customers every single working day and by the expectation of very high performance by each employee.

To make the above happen, BBK took the very best from the values, behaviours and imperatives that were currently in the organisation and evolved them into one, new, clear and coherent set of behaviours that were to move BBK forward – unite BBK and endure.

The six new behaviours that were developed are as follows: “Drive performance – Constantly challenge yourself and inspire others to meet ambitious goals which deliver exceptional performance; Build Pride and Passion – Be passionate about Barclays because you are Barclays – Take individual responsibility for making us a great company; Delight Customers – Always strive to see the world through the eyes of your customers; Grow Talent and Capability – Be consumed with the development and success of your colleagues as you are with your own; Execute at speed – Focus your energy on excellent execution; Protect and Enhance Our Reputation – Respect the standards that are our licence to do business – find intelligent ways to apply them.”

#### 4.3.6 People development

According to the CEO, BBK aspired to be one of the most admired financial services organisations in Kenya – legendary for the way BBK created value for shareholders, served customers, developed and rewarded employees and contributed to the community. He acknowledged that strategies, even ones as powerful and distinctive as BBK’s, were nothing more than pipe dreams if BBK could not deliver outstanding performance in every aspect of BBK’s business by maximising the full potential of every person, at every level of the business.

If BBK wanted to be recognised for truly high levels of performance, if BBK was to be where the very best and brightest people wanted to work, then every one was made to raise the bar on their own performance to new heights. In doing so, employees in BBK constantly challenged themselves and inspired others to meet and exceed ambitious goals.

Everyone in BBK was given the tools and information necessary to succeed. Consequently, the new approach to performance development built on previous systems and enabled people to set new aspirations for their own performance. The new approach called “The Waves Model” considered objectives (targets) and behaviours (the way the targets were achieved) in the overall performance rating. In order to bring BBK in line with other high performing companies, BBK introduced a high performance distribution for the new performance ratings. BBK was aiming to achieve the following performance across every level of the business: Top 5%, High 20%, Strong 40%, Moderate 20%, Under 10%, Low 5%. These were not quotas, everyone’s performance was assessed honestly and no-one was forced into a specific category to fit the expected distribution.

The 2003 results for Barclays Bank of Kenya Limited were outstanding, with profits up by

BBK’s key objective with regard to staff was to be the employer of choice. It had continued to attract some of the best talent in the market thus enabling the bank to refresh its leadership team, with the emphasis being on growing talent to take the business forward. In relation to future leadership, the bank continued to build the Graduate Recruitment Programme as well as the business attachment of senior staff to different parts of the group.

2004 was \$16.222 million being 12% increase over 2003. In 2003, there was a 12.5%

Talent was the key source of differentiation in BBK. If BBK had the best people then the customers would notice it, and they would give BBK more of their business. During the year 2004, BBK’s Learning and Development function was redesigned to ensure maximum effectiveness with its budget being tripled to ensure significant behavioural and technical upskilling of employees in different parts of the bank. The bank’s Learning and Development centre was upgraded in September 2004 to a centre of Barclays University. Barclays University drew together various learning opportunities provided by the Barclays PLC group to its employees. It combined the best quality resources available within the Barclays PLC group. It



was about making employees take control of their life, providing a number of opportunities to help employees and their teams discover who they could be.

Throughout the year 2004, BBK continued its strategy of developing a high performance culture with a clear emphasis being placed on embedding the performance development system that required line managers to make decisions about performance and pay for their people. This was supported by the introduction of a robust disciplinary and grievance policy.

#### **4.4 Challenges for Implementing Strategies within Barclays Bank Kenya Limited**

The 2003 results for Barclays Bank of Kenya Limited were outstanding, with profits up by 87.8% (profit before tax Shs 4,790 million in 2003). The year 2004 was characterised by a demanding and more competitive environment where all key indicators – interest rates, exchange rate and inflation – were below BBK's expectations. Kenya remained an attractive market for BBK. Profit before tax for 2004 was 12.5% over 2003. In 2004 customer deposits were Shs 80,449 million showing a 4.1% increase over 2003. Loans and advances to customers in 2004 were Shs 63,222 million being 12% increase over 2003. In 2003, there was a 12.6% increase in loans and advances and 12.4% growth in customer deposits. In 2004, the bank was voted the Bank of the Year 2003 by the Financial Times' "Banker" magazine and the Euromoney magazine. If BBK could efficiently and effectively target the right markets and the right customers, then BBK could look forward to a future of long-term sustainable growth.

The biggest challenge and disappointment in BBK for the year 2004 was the significant amount of provisioning BBK had to make especially in its personal sector including cards (up by 18.6 % to Shs 1,913 million from Shs 1,613 million in 2003). The respondents identified 9

key challenges that faced BBK in its processes of implementing strategies. The key challenges that were identified during the study are the Economic and Political situation, Influence of Foreign Exchange Rates, Demand from Regulators, Outperforming Competition, The need to Modernise the Business, Barclays Bank Kenya Limited Efficiency, Improving the Quality of Barclays Bank Kenya Limited Products and Services, Building a High Performance Organisation and Customers' Expectations. These nine challenges are discussed below.

#### 4.4.1 Economic and Political Situation

The economic situation across Africa had deteriorated over the last two years and this had been made worse by political instability in parts of the continent. Most of BBK's corporate customers had a presence in many African countries and their financial position in those business units had a relationship with the Kenyan business units and their ability to carry out business in Kenya. The current economic situation in Kenya was seen by the respondents as a challenge in implementing BBK's business strategies. The 2.4% GDP growth for the year was an improvement on the previous year though it was lower than original government forecast. All the key sectors of the economy – agriculture, tourism, manufacturing, transport and construction – registered reasonable growth rates, ranging from 1.8% to 4.1%.

Kenya also saw the resumption of the donor funding programme in 2004, resulting in the much needed investor and donor confidence. Across the banking sector, there was a 20% expansion of credit to the private sector year on year following improved confidence levels and substantial reduction in the level of interest rates.

The upward trajectory in GDP growth and initial confidence in the economic recovery process was overshadowed by political problems in the ruling coalition. BBK believed there was great potential for further growth during 2005, but was concerned that this would be undermined by the ongoing problems with the donor community on issues of alleged corruption in the government and constitution making issues.

Underlying inflation, which was the main focus of the monetary policy, remained below 5% during the year 2004, while the 12 month overall inflation rate remained high mainly due to increased costs of energy, transportation and food prices, closing at 11.6%.

Interest rates in Government securities averaged around 3% for the most part of 2004, having reached a low of 1.52%. The interest rates saw a sharp increase during the fourth quarter of 2004 reaching 8.29% by the end of the year.

Whilst taking and managing risk was very much at the centre of BBK, BBK had to continue to uphold the standards the Barclays PLC group demanded. In competing for business, risk and return had to be properly balanced. Similarly, cost efficiency and risk control had to be managed together in the way BBK operated.

The business responded to this challenge by delivering a more customer led service strategy to modernise the business processing operations and to energise the business including its people, whilst maintaining key focus on improving cost and risk performance.

Looking forward into 2005, BBK expected the level of underlying inflation to continue to be below 5% and the interest rates on the 91 day Government paper to be similar to those of

neighbouring East African countries. These interest rates were necessary to avoid any significant movements of funds outside the country to attract better rates of return.

#### 4.4.2 Influence of Foreign Exchange Rates

The problem of depreciating currency (Kenya Shilling) created an added difficulty because BBK's major shareholders measure the financial performance of the Barclays PLC group in Sterling Pound. Foreign exchange rates are used to convert local currency results into Pounds. Where the rates move, the resulting Pound amount will change as well.

Towards the end of the year 2004, the Shilling was stable against the pound, and this meant that it took less local currency to buy a Pound than was forecast. This increased the relative level of BBK's costs – which put extra pressure on the costs line in Pounds.

The opposite held for income – increased Pounds were a good thing on the income line. One needed to be careful when looking at the income measured in Pounds, because as at October 2004, the respondents identified that the local currency income performance was behind budget but the income performance then year to date in Pounds was closer to budgeted levels.

The profit BBK made might seem satisfactory when reported in the local currency but could look far less impressive when converted to Sterling Pounds. For instance, BBK posted a profit before tax of Shs 5,391 million in 2004. This was an impressive performance as BBK was the most profitable organisation in the banking industry in Kenya in 2004 and the fourth highest in the country (among all corporates) after East African Breweries Limited (Shs 8.6 billion), Safaricom came second (Shs 8.4 billion) and Kenya Airways returned a profit of Shs 5.5

billion. During the same period, the Barclays Group (PLC) returned a profit before tax of Sterling £4,603 million. At an exchange rate of 1£ for Shs 148.50, BBK's performance in Sterling was £36.30 million which was only 0.79 % contribution to Barclays PLC group profits. So as to deliver on financial targets set by the Barclays PLC group, BBK had to direct its effort to the most important business opportunities; those that would help BBK achieve long-term sustainable growth. The bank continued to restructure and to reinvest in the business, which increased its capabilities and improved its focus on target segments.

The shilling exchange rate steadily depreciated against the major currencies in 2004. The depreciation peaked during the first week of December 2004, which coincided with the period of extreme volatility in the interest rates. A relatively stable shilling established a solid foundation for the business community's long-term planning. The movement of the US dollar against other world currencies influenced the shilling exchange rate.

#### **4.4.3 Demands from Regulators**

BBK was also faced with the challenge of meeting increasing demands from regulators. The quality of banking regulation and supervision had been continuously improving in Kenya. Directed legislative actions combined with conscious Central Bank of Kenya efforts had enhanced the overall banking control climate. Some specific areas that had been affected were; the so called "Donde's" bill on interest rates, stricter anti-money laundering rules, improved customer deposit schemes, the range of foreign exchange products in the local foreign exchange market, local yield curve establishment and maintenance and financial reporting standards. The in-duplum rule, which restricts the amount of interest that banks can load on borrowers to not more than double the principal – once the loan falls into arrears, was likely to

check growth in the banking industry. The other problem facing the banks was that they could no longer increase charges arbitrarily, without first informing the Central Bank of Kenya. This was likely to cut BBK's income from commissions and fees.

Due to the uncertainties created by the Central Bank of Kenya (Amendment) Act 2000, the financial sector had reduced its appetite for high risk lending to treasury sector. This development coupled with a depressed economic situation had led to significant transformation in the structure of the consolidated balance sheet of the banking sector. BBK did some soul searching and came up with measures to bridge the gap between BBK and the customers in order to build trust. In this regard, the launch of the banking code by the Kenya Bankers Association was a welcome development.

#### 4.4.4 Outperforming Competition

Sarbanes-Oxley Act, legislation introduced by US government in response to corporate governance failures, had real costs in complying with the Sarbanes-Oxley Act - and even greater costs in the event of a failure to comply (fines, reputational damage, de-listing from US markets, potential criminal liability). The Sarbanes-Oxley Act of 2002 was introduced to help restore investor confidence in company financial reporting following a number of high profile corporate collapses in the US – such as Enron and World Com. The provisions of the Act apply to all companies with a US stock exchange listing which included Barclays PLC. There were no concessions for foreign private issuers such as Barclays PLC that had a US listing but are registered in the UK. The Sarbanes-Oxley programme was a group-wide initiative designed to enable management to demonstrate that the Group operates an effective system of internal control, specifically in regard to financial reporting. The legislation impacted the worldwide operations of the Barclays PLC Group. In BBK, the act resulted in fundamental changes in how Audit Committees, Management and Auditors interacted and carried out responsibilities.

Compliance to regulators was the license to BBK of doing business and strategies had to keep on changing to match the demands of the regulators. In 2004, the bank put in a compliance department so as to ensure that BBK adhered to the requirements of the regulators.

The issue of regulatory controls continued within the banking industry. However, during 2004, certain amendments which sought to relax some of these regulations, were presented to Parliament and passed into law. As the regulatory fronts were being debated, BBK strongly urged that a control-free environment, supplemented by excellent Central Bank of Kenya supervision (as witnessed already by the Banking Industry) be created for smooth operation of the industry.

#### **4.4.4 Outperforming Competition**

Competition in the financial sector had increased in recent years, as the market itself become sophisticated. Institutions were now hawking loans to the public. And the central bank had also become keener in regulating banks.

BBK's closest rival was Standard Chartered Bank, which reported a Shs 2.7 billion profit in 2004 (BBK made Shs 5.4 billion in 2004). This was expected to grow beyond Shs 3 billion in 2005, as a result of Standard Chartered Bank growing loan book (BBK had an apparent freeze on loans and advances which was likely to slow it down).

However, neither BBK nor Standard Chartered Bank could be so complacent as to think they would hold the profit positions they currently held. The Kenya Commercial Bank Group was seen as a giant whose potential was yet to be fully unlocked. It made Shs 1.1 billion in pre-tax profit in 2004.

BBK wanted to outperform not just its local competitors but also other global financial services organisations competing in its chosen segments. It was identified during the study that BBK's competitors were working hard to improve what they offered.

The focus to counter the challenge was customer service - this is what was to distinguish BBK from the competition. It was to be the main source of competitive advantage. Products are what BBK needed to stay in the game but excellent customer service was to set BBK from the competition.

#### **4.4.5 The need to modernise the business**

The respondents identified that the business was not hitting the targets that were necessary for BBK to remain competitive. The respondents were in agreement that the only constant factor in the financial market was change and doing business successfully the same way for a long time very often equalled tomorrow's failure. The business needed to move faster and raise the game. The vision and challenge was to transform BBK to the most admired financial services organisation in the country. The study found out that centralisation had been implemented without standard processes, procedures and policies which lead to poor customer service and staff confusion. The bank's core systems like the front office computer systems had been in place for over 10 years and needed to be modernized to be able to catch up with modern financial services systems. The branch network had also been in existence for many years and needed refurbishments. While the bank was spending a lot of resources modernizing the systems, the risk of interrupting services was a hindrance to moving at a fast pace as potential



new systems had to pass through a rigorous operational risk assessment which slowed things down.

BBK response to this challenge was building the capability of the structures and tools used in finance, improvement of information and process control standards, documentation, quality and efficiency. At the same time, BBK was to overhaul its IT infrastructure to help improve its products, service, knowledge of customers and its capabilities.

BBK was to increase the speed and accuracy of processing through automatic account opening. It was expected that BBK would be able to target its customers better by using information from a fully integrated system, rather than scurrying around finding scraps of information from several different sources. There was to be less duplication of tasks and BBK was to take out paper-based processing, using end-to-end automation for tasks like foreign payments and credit scoring. The challenge was to get to the point where, every time a customer came into contact with BBK by phone, or at a branch – wherever they are – they could expect a consistent and excellent service.

In comparison to the most developed countries (MDCs), Kenya's banking sector is still quite underdeveloped from the e-commerce point of view. Electronic funds transfer (EFT) systems capabilities, a key ingredient for effective funds realisation and transaction consummation, are still generally limited. Debit and credit card infrastructure is not so developed and Internet banking has not really kick-started. BBK was incorporating e-commerce enablement into their medium term strategies with the aim of increasing the use of technology to process routine transactions allowing face-to-face contact with customers to be concentrated on higher value, higher margin advice based services.

#### 4.4.6 Barclays Bank Kenya Limited Efficiency

BBK's running costs were found to be too high compared with the competition. Communication between head office functions and BBK's in-country operations were found not to be so efficient and needed to get much closer to its businesses and its customers. Total income of Shs 13,775 million in 2004 declined marginally over the 2003 levels (2003: Shs 13,942 million). The 6% growth in both net interest income and foreign exchange fees was offset by the reduction in fees and commissions arising from unrealised loss on revaluation of bonds in line with International Accounting Standards (IAS).

In 2004, provision for loan impairment rose 18.6% to Shs 1,913 million (2003: Shs 1,613 million) although the asset quality remained strong and non-performing loans remained at 13% (2003:15%) of the total loan book, compared to the industry average of 22%.

To respond to this particular challenge, BBK's focus became on value creating segments and customers across the business. Reducing BBK's running cost was to help BBK achieve its profit goals. BBK's investment in technology and the centralisation and automation of key process like voucher processing would help BBK reduce costs. Required was to see customer satisfaction scores across BBK. This needed great collaboration since BBK's customers didn't distinguish between the various parts of BBK and they expected BBK to be coordinated and to collaborate.

BBK believed that a significant portion of impaired loans and advances was recoverable and initiatives were in place to accelerate recoveries.

#### 4.4.7 Improving the quality of Barclays Bank Kenya Limited products and services

Customers told BBK that it was inconsistent in its quality of service. BBK did not always get the basics right. The challenge here was to focus on continuity, on consistency, on reliability, on innovation and on great value for money. Some customers complained that there were long queues in the banking halls and ATMs and that these channels were not conveniently placed. For example, the respondents identified that the recent decision to close some branches had inconvenienced quite a large number of customers.

On service issues, BBK had a strategy for customer service revolution. Customer service was a key focus area for 2004. The campaign centred on understanding BBK's chosen customer segments, helping staff to provide outstanding customer service. This was the first time that BBK had taken a holistic approach to service where BBK not only thought about customers but also made a deliberate effort to like them.

A customer service survey completed in April 2004 clearly indicated that customer service was the number one competitive advantage in Africa. To tackle this challenge, the business responded by putting a stop to doing things that destroyed value. A customer service month was launched in July 2004 that saw the launch of service dashboard. Covering Corporate and Retail customers in various segments, it combined a range of new service measures introduced at the start of the year 2004. The challenge was to maintain the right attitude to sustain a world class service to customers. The launch of new product set to keep abreast with the customers was quite a challenge according to the respondents. In 2002, BBK had made a strategic decision to segment customers into three distinct segments, namely: Prestige and Standard, Local Business and Premier. In 2003 the Bank developed the strategy further and after

conducting a further review of the Retail product offering begun to develop the New Segmented Set in line with the above customer segments.

The new generation of products was dedicated for each of the segments reflecting the different needs and value created by the particular customer groups. In January 2004 BBK launched products for Standard and Prestige customers. Sale of the Premier products commenced on 28<sup>th</sup> February 2004. The new Premier Product set comprised of new products as well as existing products which had been aligned to the proposition. Some of the existing products were withdrawn and branches ceased selling them from 28<sup>th</sup> February 2004. The new products were Premier Bonus Savings account, Premier Current account and Premier Loan. The latter was Barclayloan renamed for the specific segments, but existing procedures remained unchanged. Products that were withdrawn and could not be sold to Premier customers were: Instant Savings, Current Account, Bank Account, High Rate Savings, High Interest Bonus Savings account, High Value Current Account, Optimum Account and Barclaysave.

The life span of the products was usually short (about 1 year) and it meant the bank had to keep changing some of the products and it was an expensive exercise because at times it necessitated re-branding of such items as cheques books, electronic cards and some outlets. The respondents stressed that segmentation was not a one-off exercise. Recognising that some customers needed a more sophisticated service and therefore required more time than others made a real difference.

#### 4.4.8 Building a High Performance Organisation

At the time of the study, BBK has been in business for over 80 years. In this time it had built an impeccable reputation and a brand that symbolised the ultimate in financial expertise. It was the responsibility of the BBK community to know the business, understand where it was going and how one could help it get there. It was found to be a challenge understanding BBK's customers, anticipating and meeting their needs, offering the right products, delivering outstanding service and encouraging customer feedback.

As a way of mitigating this challenge, BBK put structures to ensure staff polished their attitude, showed pride in their work and lived the BBK's behaviours every day. This required having the right members of staff, superbly led, highly motivated with the right tools and to serve the target customers brilliantly.

BBK's aspiration to be in the top quartile (top 25%) of performing companies would only be realised if BBK tackled the challenges it faced head on and stepped its performance at all levels. The challenge was BBK had to get the balance right – maintain financial profitability, delight its customers, serve the wider community, and always strive to be an organisation that employees were happy and proud to work for.

Having the right strategies in place, developing the technical infrastructure and producing high quality products were not enough to be successful – BBK's employees were to make the difference. BBK had to continue to invest in its people and equip them with the skills and tools they needed to do their jobs outstandingly well. BBK could not hope to achieve its goals without an ambitious, hard working, committed and focused workforce. It was always

challenging to maintain people to feel passionate about making a difference to customers. A smile and a professional response across the counter, or over the telephone, was to make a difference. It was not always easy to sustain this behaviour.

#### **4.4.9 Customers' Expectations**

Customers' expectations were rising all the time. The respondents had observed that customers had become very sophisticated and were demanding very high level of service. In the past, it was not surprising to take quite sometime to respond to a customer's query. However, the situation had changed by the year 2004 and customers expected the bank to respond almost immediately and delays could result to loss of business with the customer going to the competition. The customers expected the bank to be at par or better than all the other financial institutions. Customers demanded products that were yet to be developed in the market (for example Internet based banking) and other products that the bank was yet to implement although it had considered them (SMS banking). Customers' expectations kept on changing with time which required the bank to evolve at a faster rate and being a large institution it was not always easy to keep up with the challenge.

To ensure that BBK met the needs of its target customers, the strategy that was employed was to improve the quality of service by reorganising the branch network to suit customer demands. More branches were introduced but they were smaller and targeted at the needs of specific customer groups – for example Prestige branches and corporate banking suites. All customers are not the same and BBK decided that it could only be successful if it targeted its effort. Another investment was in new technology and reengineering of key processes so that the business could offer higher levels of service – for example, the account opening process

was made more efficient and ATMs reliability was improved. However, the improvements had to be continuous since customer expectations kept on changing.

### 5.1. Summary of findings

Barclays Bank Kenya Limited goal is to become the leading bank in Kenya and Africa in the eyes of its customers, its people, its shareholders and the communities in which it operates. BBK's strategy is to grow its business by deepening its relationship with existing customers and attracting the right quality of business from new customers. This is done in BBK by putting its customers and its people at the heart of its business; by working in a joined-up way; by being easy to do business with; by demonstrating its expertise in finance to its customers; and by offering products and services which meet the needs of its customers.

The processes of implementing strategies in BBK were found to be effective as stated by the annual financial reports. To increase the efficiency of employees, the end-to-end management team was set up to improve processes so that employees spent more time on services to customers and less time correcting mistakes. The team was formed to understand what went on in the business. The team worked with staff in service delivery and other functions to design ways to map processes, for example like ordering a cheque book, step by step, identifying where and why they broke down and finding ways to fix them.

Resources were spent on improving the IT and operational infrastructure - that is the technology that enabled BBN to run its business everyday. The new technology changed the way the business was running by allowing different systems to plug into each other.

All the processes in BBN were designed to help the business get closer to its customers. The one-size-fits-all philosophy of the past had been found to be no longer work in sustaining the

## CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Summary of findings

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Resources were spent on improving the IT and operational infrastructure – that is the technology that enabled BBK to run its business everyday. The new technology changed the way the business was running by allowing different systems to plug into each other.

All the processes in BBK were designed to help the business get closer to its customers. The one-size-fit-all philosophy of the past had been found it could no longer work in sustaining the



business. New strategies were built on creating distinct customer segments – for the corporate business and for the retail business, identifying groups of customers by their lifestyles, characteristics and needs and offering a service and products that was of real value to them as individuals.

BBK encouraged its customers to save. Various proven strategies were used to mobilise

BBK ensured that management was always qualified, independent and able to appreciate the gist of typical key banking risks e.g. liquidity risk, currency risk, interest rate risk, credit risk, regulatory risk and operational risk. Risk management was at the centre of the bank's management framework and embraced the spirit of corporate governance discipline and international banking best practice. It goes without saying that the quality and consistency of the bank's internal controls and checks required constant attention. It was understood in BBK that being in control was BBK's license to do business.

Bankers Bank Kenya limited OMC was responsible for the implementation of operational

To be able to implement strategies effectively, BBK prioritised the development of its own staff. Relevant professional banking qualifications coupled with in-house initiatives went a long way in moving the bank forward. Staff development aligned to corporate mission and strategies ensured the increased quality of the banking discipline and its related services. With direct reference to foreign exchange activity, the skills of dealers and their appreciation of non-standard trading instruments was very important as 51% of the bank's revenues were generated by the dealers.

The six key processes that were used in BBK to implement strategies were: Focus on

While still maintaining a return and risk trade off, BBK become more adventurous by increasing the breadth, quality and spread of its product mixes. Given the shrinking number of traditional lending opportunities, BBK endeavoured to flex, modify and customise products and services to rekindle customer product demand by addressing customer needs.

Diversification options that BBK was already in and exploring included mortgages, lease and hire purchase financing, private banking, professional business support, credit cards, micro finance initiatives and electronic banking.

BBK encouraged its customers to save. Various proven strategies were used to mobilise savings - attractive savings terms, savings repackaging and one-stop account management. The mobilisation of savings was critical to the success of BBK as this supported product financing and accelerated inter-bank activity. BBK considered the capital implications of its savings mobilisation drives.

### **5.1.1 Strategy Implementation Processes within Barclays Bank Kenya Limited**

Barclays Bank Kenya limited CMC was responsible for the implementation of operational strategies and policies and was empowered by the Board to make general and operating business decisions. To implement the strategies, several processes were found to be in place in BBK. A new structure was put in place to facilitate the implementation of strategies. This resulted to a new organisational design that created new functions with new leadership. A new set of Barclays Bank Kenya Limited behaviours and values was internalised together with a new set of operational processes and information and communications technology systems.

The six key processes that were used in BBK to implement strategies were: Focus on customers; Reduction on costs; Changes in Structure and Leadership; Executing Effectively with Speed; Changes in the Organisational Culture; and People Development.

### 5.1.2 Challenges for implementing Strategies within Barclays Bank Kenya Limited

Nine key challenges for implementing strategies were identified in BBK during the study and these were the need to modernise the business, the bank's efficiency, improving the quality of the bank's products and services, building a high performance organisation, outperforming competition, the economic and political situation, the influence of foreign exchange rates, customers' expectations and demands from regulators.

## 5.2 Conclusions

The study identified the strategy implementation processes within Barclays Bank Kenya Limited and established and documented the challenges for implementing strategies within the bank.

According to the literature of this study, strategy implementation involves using several tools – parts of the firm that can be adjusted to put strategy into action. Once a new strategy is selected, it is implemented through changes in leadership, structure, information and control systems, and human resources (Galbraith et al., 1986).

The findings of the study concurred with the strategic management process discussed in the literature (figure 2.1). Strategies were implemented in BBK through people development ( a change in human resources), changes in organisational culture, changes in structure and leadership and changes in information and control systems ( changes that enabled reduction of costs, focus on customers and executing at speed). Nine key challenges were encountered in the course of implementing strategies in Barclays Bank Kenya Limited. However, BBK has

put in structures to manage the challenges to ensure that strategies are implemented successfully.

From the study literature, it had been established that there was likelihood of some challenges arising from the parent-SBU scenario. It was expected that some challenges would be unique to a multinational organisation. The success of a transnational corporation is dependent on the ability to simultaneously achieve global competencies, local responsiveness and organisation-wide innovation and learning (Bartlett and Ghoshal, 1989). While adoption of a standardized strategy may be desirable under certain conditions, there are a number of constraints that severely restrict the firm's ability to develop and implement a standardized strategy. According to Wit and Meyer (2001), the strategic issues in an industry revolved around the question whether the industry circumstances set the rules to which companies must comply, or companies had the freedom to choose their own strategy and even change the industry conditions.

BBK is a parented company with the parent (Barclays Bank PLC through Barclays Africa) being a multinational. Products and services were standardized throughout Barclays Bank PLC that made the development of new products and working out service levels to be challenging as they (products and services) had to conform to the Barclays PLC group standards and be acceptable locally. Other challenges resulting from the parent/SBU/international setup are economic and political situation in Kenya and Africa at large, the influence of foreign exchange rates, the need to modernise the business (also dictated by the industry). Outperforming the competition also fell under this category as BBK was also expected to enable Barclays Africa to be the best bank in Africa. Challenges due to the demands from regulators and customers' expectations were as a result of conditions in the banking industry as

a whole. BBK also made deliberate action to build a high performance organisation, to improve its efficiency, to outperform the competition and to modernise the business in order to make the business sustainable and have a competitive edge.

Also, the study confirmed that the role played by the CEO is quite important and that line management were instrumental in the strategic process (Shumbusho, 1983).

### **5.3 Recommendations**

This being a case study, the research findings cannot be generalised on the industry and I suggest that a study be done to find out the challenges of implementing strategies in the banking industry in particular and all the industries in Kenya at large. A study could also be done to capture the success rate or failure rate of strategies in the banking industry.

In addition, the time available for the study was short. This constrained the scope as well as the depth of the research. For instance, a study could be done to find out the degree of ownership and the extent of commitment as strategies are cascaded down from the parent to the strategic business units

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## APPENDICES

### APPENDIX I: QUESTIONNAIRE

#### (a) To the Managing Director

1. The goal for Barclays Africa is to become the leading bank in Africa.
  - (i) What needs to be done to achieve the goal in BBK?
  - (ii) What are the challenges facing BBK in achieving this goal?
2. To help all Barclays Africa people raise their game, the business will be demanding higher standards of leadership and management. How does this requirement fit with the organizational culture in BBK?
3. Barclays Africa is going through a transformation.
  - (i) What needs to be done right to achieve this success in BBK?
  - (ii) What are the obstacles being experienced in BBK towards this?
4. By the end of 2006, if Barclays Africa has successfully implemented its strategy: customers will not want to bank anywhere else; employees will feel Barclays Africa is the best place to work; communities will know that Barclays Africa is active and enthusiastic contributors; regulators will regard Barclays Africa as a model of best practice in compliance and risk management; and shareholders will recognize the value Barclays Africa is creating for them. To what extent is BBK on track in successfully implementing the strategy?
5. What is going well in BBK?
6. Which are the areas that need attention?

**(b) Service Delivery, Risk Management, Assurance, Marketing and Community Affairs, Procurement, Property Services, Information Technology Service Management, and Non-financial Risk Management**

1. Barclays Africa long-term goal is to be one of the most admired financial services organizations in the world.
  - (i) What must be done to get the goal right in BBK?
  - (ii) What are the challenges facing BBK in this?
  - (iii) How do you propose the above challenges will be overcome?
2. Barclays Africa customers' expectations are rising all the time, and of course the competitors are working hard to improve what they offer. Barclays Africa is also faced with the challenge of meeting increasing demands from regulators. What should be done to address these challenges facing BBK effectively?
3. To build the bank of the future, BBK will require a world class infrastructure. What must go right to achieve this?
4. A major investment in IT is at the heart of the Barclays Africa strategy. What are the challenges needed to build modern, integrated IT systems and introduce world-class business processes in BBK?
5. To what extent is the organizational culture in BBK supportive of the Barclays Africa customer service strategy?
6. What is being done to build on the Barclays Brand in Kenya?
7. What is going well in BBK?
8. Which are the areas that need attention?

### **(c) Human Resources**

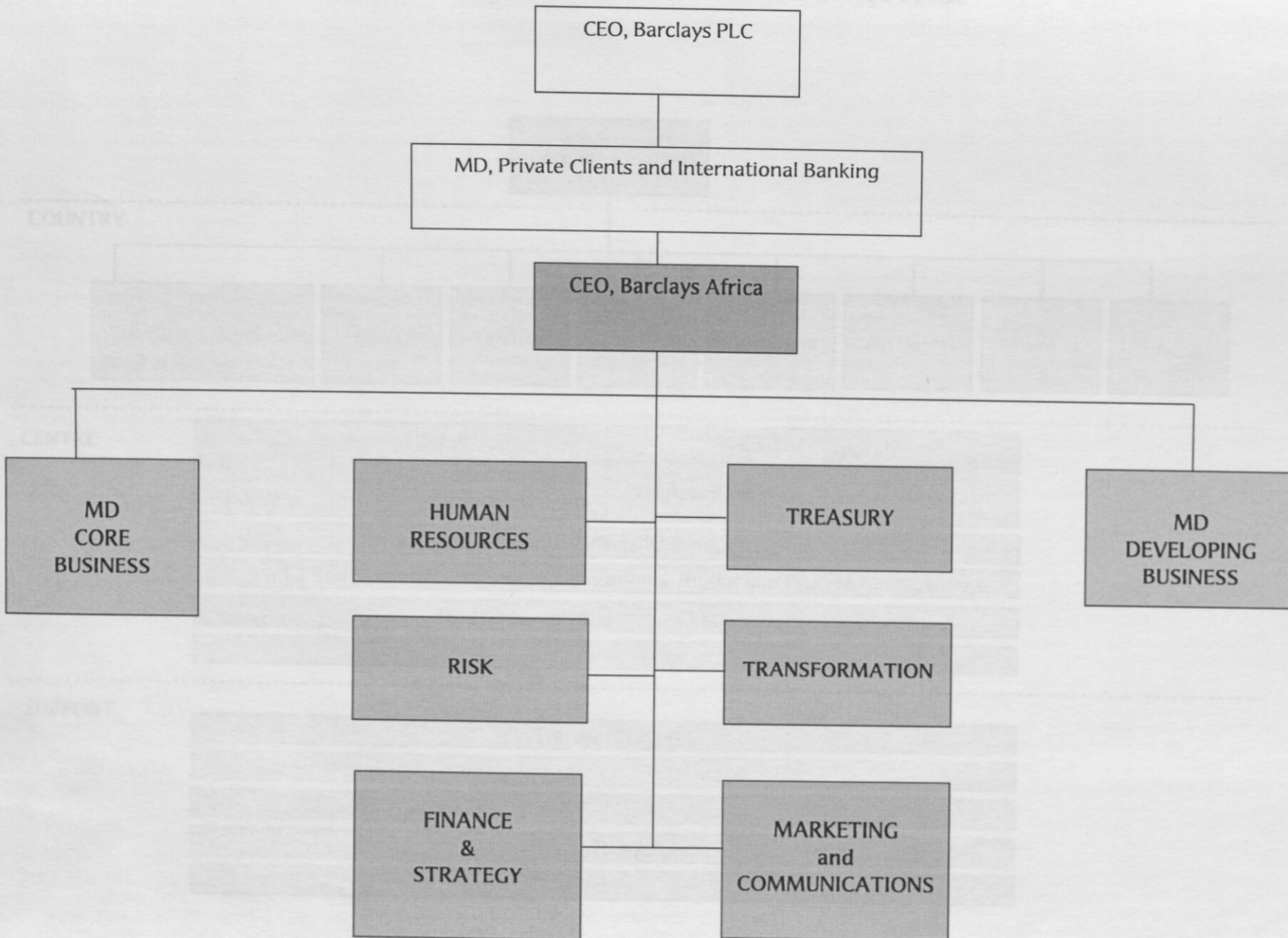
1. How is the fit between the organizational structure in BBK and the Barclays Africa human resources (HR) strategy?
2. What are the main obstacles to the effective implementation of the Barclays Africa human resources strategy in BBK?
3. How do you propose to overcome these obstacles in BBK?
4. How is the training and development strategy in BBK as regards to empowering staff to implement Barclays Africa business strategies?
5. To drive the performance of Barclays Africa as a whole, a new Performance Development process is now in place across the business. What has gone well for this process in BBK?
6. To what extent is the organisational culture - the shared beliefs and values of BBK, has been a major help or hindrance to the Barclays Africa human resources strategy?
7. One of the key responsibilities in BBK is working better together – the people dynamics. How much of this has been internalized?
8. What has gone well with the HR strategy in BBK?
9. Which are the areas in the HR strategy that need attention in BBK?

### **(d) Finance and Planning, Asset Finance, Treasury, Corporate, Card Services, Transformation, Retail and Barclays Securities Services**

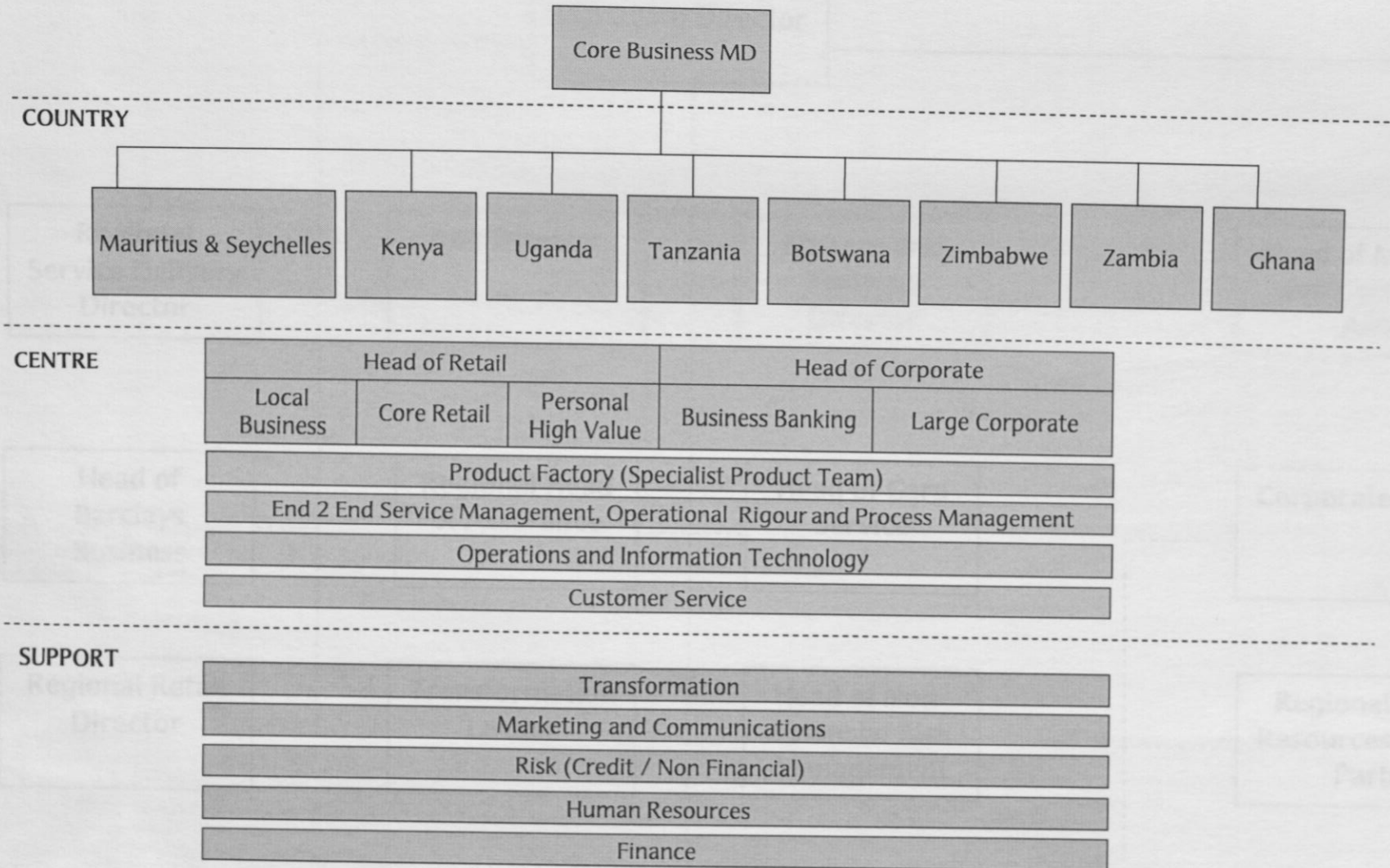
1. For BBK to remain competitive, some challenges will have to be overcome. Which are these challenges?
2. What is required to overcome the above challenges?

3. Barclays Kenya needs to modernize the business, increase its efficiency and effectiveness, improve the quality of its products and services and build a high performance organization. What are the critical success factors for achieving this?
4. The economic situation across Africa has deteriorated over the last 3 years and this has been made worse by political instability in parts of the continent. The problem of depreciating currencies in many countries creates added difficulties because shareholders measure the financial performance of the Barclays Group in Sterling. How do these difficulties measure up in the Kenyan scenario?
5. Africa remains an attractive market for Barclays. If Barclays can efficiently and effectively target the right markets and the right customers, Barclays can look forward to a future of long-term sustainable growth. What must be done right in BBK to take the opportunities?
6. Against the above background, Barclays Africa leadership has put together a plan to achieve the Barclays' vision and transform the business into the most admired financial services organization in Africa and the Indian Ocean. What are the major challenges facing BBK in achieving the vision? What should be done about these challenges?
7. The key elements of Barclays Africa strategy are: Focus on customers who create the greatest value; improve customer service; reduce costs; and improve risk management. What are the critical success factors in achieving the strategy?
8. What are the major constraints in delivering the bank of the future and how is BBK overcoming these constraints?
9. What is going well in BBK?
10. Which are the areas that need attention?

## APPENDIX II: BARCLAYS AFRICA LEADERSHIP



### APPENDIX III: BARCLAYS BANK CORE BUSINESS STRUCTURE



**APPENDIX IV: BARCLAYS BANK KENYA LIMITED LEADERSHIP 2004 (CMC)**

