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**CHALLENGES FACING K-REP BANK IN THE IMPLEMENTATION OF
STRATEGIC PLANS //**

By

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**A Management Research Project Report
Submitted In Partial Fulfillment Of The
Requirements for the Award of the Degree Of
Masters OF Business Administration (MBA), School of Business,
University of Nairobi**

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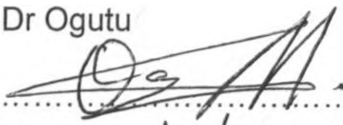
Declaration

This research project is my original work and has not been presented for any degree in any other university or institute of learning. Information from other sources has been duly acknowledged. No part of this work should be reproduced without the permission of the author.

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Dedication

To Jayne, Sarah, and Maggie. My family that
Continues to shower me with never-ending love and support. I love you.

To Dad and Mum, I appreciate all that was sacrificed to allow me get this far.

Acknowledgement

Sincere appreciation goes to my supervisors Dr. Ogutu for his invaluable input to this project and also to my classmates for their encouragement and support at all times.

I wish to thank those of my colleagues at work who assisted me in the data collection and most especially the Managing Director of K-Rep Bank Ltd for allowing me to carry out this research within the organization.

Special thanks to my family and friends for their patience and understanding during the writing of this project.

May God bless you.

Abbreviations.

AMFI	-	Association of Micro Finance
K-REP	-	Kenya Rural Enterprise Program
MFI	-	Micro Finance Institutions
MSE	-	Micro and Small Enterprise
NGO	-	Non-Governmental Organization
ROSCAS	-	Rotating Savings and Credit Associations
SACCO	-	Savings and Credit Co-operative Society
SME	-	Small and Micro Enterprise

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ABSTRACT

This study aims at establishing the challenges facing K-rep Bank in implementing their strategic plans and determine how K-rep Bank is managing the key factors in the implementation of their strategic plans.

The target population of this study will be K-Rep Departmental heads drawn from the head office. The sample frame will be from K-Rep Bank and the names of the Departmental heads will be obtained from the Human Resources Department.

Methods of data collection will involve primary data. Primary data will be collected from interview guides through one to one interviews with the Head of Departments at the head office. The interview guide used in this study will contain a mix of questions, allowing both open-ended and specific responses to a broad range of questions.

The data analysis will be qualitative. The information will be listed and will be used to draw conclusions on the research questions in the study.

The study is important to K-rep Bank and Micro Finance Institutions, whose managers would utilize it to ensure that they appreciate the challenges facing strategic Plans implementation and make them come up with ways of addressing them in the changing microfinance environment. The government will also benefit from the findings of this study in that it will be in a better position to formulate proper policies and laws to regulate the operations of MFIs in Kenya. Academia is also set to benefit from this study as it will contribute to the general body of knowledge and form a basis of further research into this area.

CHAPTER ONE

INTRODUCTION

1.1 Background

1.1.1 Strategic Plan Implementation

Strategic plan implementation entails converting the strategic plan into action and then into results (Strickland, 1992). Implementation involves the assignment and direction of personnel to carry out the plan (Donnelly, 1992) Just being able to conceive bold new strategies is not enough. The general manager must also be able to translate his or her strategic vision into concrete steps that “gets things done (Hamermesh, 1992)

Poor strategy implementation can make a sound strategic decision ineffective or a debatable choice successful, it is important to examine the process of implementation of strategy, which is comprised of a series of sub-activities which are primarily administrative. If purpose is determined, then the resources of a company 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 process of performing measurements, compensation, management development, all this enmeshed in systems of incentive and towards controls must be directed towards the kind of behavior required by organizational purpose (Mintzberg, 1999).

1.1.2 Key factors in strategic plans implementation

Strategy implementation requires managing of key factors that are instrumental for its success. Organization culture which is the shared opinion requires to be compatible with the goals, Organization structure which refers to the various functional groups needs to allow smooth information and decision flows. Leadership should be able to influence both the activities and the attitude of the employees. The human resource factor needs to be skilled and both training and development incorporated. Systems must be able to provide the much required checks and controls. The management should also be able to raise adequate resources to be able to fund the strategy. Policies and procedures should be able to guide the employees adequately and also efficient to increase the speed of service delivery.

1.1.3 Challenges of strategic plans implementation.

In today's business environment, strategy has never been more important. Yet research shows that most companies fail to execute /implement strategy successfully. Behind this abysmal track record lies an undeniable fact: many companies continue to use management processes-top-down, financially driven, and tactical – that were designed to run yesterdays organizations (Kaplan 2004).

Implementation is the smaller specifics of getting things done. However for organizations to bridge the gap between what company leaders want to achieve and the ability of the organization to deliver the management must rise to the level of execution. Execution is a systematic process of rigorously discussing HOW'S and WHAT'S. Questioning tenaciously, following through and ensuring accountability. It includes making assumptions about the business environment, assessing the organizations capabilities, linking strategy to operations and the

people who are going to implement the strategy, synchronizing those people and their various declines and linking rewards to outcome (Mutua, 2005)

1.1.4 Kenya Rural Enterprise Program (K-Rep)

The Kenya Rural Enterprise Program (K-Rep) is a specialized microfinance development institution serving Micro and Small enterprises in rural and urban areas of Kenya. It was established in May 1984 as a project of a United States of America based Private Voluntary Organization (PVO), World Education Incorporated with the primary objective of channeling financial, training and technical assistance to Kenyan NGOs involved in the promotion of SME's. K-Rep's mission is to serve as a catalyst for enabling low-income people to participate in the development process and to enhance their quality of life through promotion of employment and income generating opportunities. It provides financial services to the poor who are typically excluded from the formal financial sector, thereby generating income and employment opportunities for low-income people. Dondo, (1997)

1.1.5 Micro-Finance Industry

Microfinance institutions in Kenya presently range from the smallest self-help groups in the mould of so-called "merry-go-rounds" to more sophisticated ones like K-Rep Bank, which transformed into a bank in March 1999. MFI's presently operate under a disparate regime of laws with some registered under the Banking Act, Companies Act, Societies Act, NGO coordination Act, Building Societies Act, Trustee Act, Cooperative Act, Kenya Post Office Savings Bank Act and Kenya Industrial Estates Act. In light of the lack of specificity of the legal framework for MFI's and given the emergence of numerous MFI's in Kenya, the Central Bank of Kenya and the Association of Microfinance Institutions (AMFI) have been working on a blueprint for regulating MFI activities while seeking to

provide a framework for the development of a solid, professional and reliable microfinance sector in Kenya (Dondo, 1999)

1.2 Research Problem

There are a number of challenges facing MFI'S. Some of the challenges are within the institutions themselves and others are without/ outside the institutions. While the institutions can easily deal with the internal challenges like organization structure, people skills and culture, procedures and processes, external challenges which are mainly political, Legal and economic are outside the institutions control.

Microfinance institutions have operated under a very dynamic environment and are left with the option of adequately dealing with challenges associated with strategic business plans implementation within the institution to align themselves to the changing environment and mitigate against the external factors which are out-side their control. The ability and mechanism for changing assumptions as the environment changes and upgrading capability is a challenge that must be dealt with together with exposing reality and acting on it. There is also the capacity challenge by way of lack of comprehensive understanding of the micro-finance business and most of the organizations are operating in the learning curve.

Therefore this research will bring out the importance of the discipline of execution which will be useful to them in addressing the challenges and problems of strategic business plans implementation. "Execution is a new management discipline that is taking the corporate world by storm. Although it has been practiced for ages by many successful leaders, it is only recently that it is being systematically analyzed, documented and explained (Mutua, 2005)

Whereas Strategic management in general has been widely researched by management scholars, in Kenya (Aosa,1992;Kengoro,1998; Gekoge,1999; Bwibo,2000;Awino,2001;Warsame,2002;Koske,2003;Musyoki,2003; Muthuiya,2004; Ochada,2005; and Machuki,2005).

Only a few studies have been done on specifically strategy implementation in Kenya, (Aosa,1992;Awino,2001; Koske,2003; Musyoki,2003; Muthuiya,2004; Ochada,2005;and Machuki,2005). There is no evident research on Strategy Implementation on Micro-finance Institutions (MFI'S) in general and K-rep Bank in particular hence a significant gap in our knowledge given that this sector is increasingly being recognized as very key in employment creation by way of providing financial services to the Majority of the population. This research is aimed at bridging the gap.

1.3 Research objectives.

- I. Establish the challenges facing K-rep Bank in implementing their strategic plans.
- II. Determine how K-rep Bank is managing the key factors in the implementation of their strategic plans.

1.4 Significance of the study

This study will be generally useful in filling an existing gap on strategy implementation and its challenges in micro finance institutions in Kenya "More specifically:

- 1) Provide additional knowledge to existing and future institutions intending to undertake micro financing business.
- 2) The study will be of major interest to stakeholders, Financiers, suppliers, Customers and other interested parties in understanding the challenges facing strategy implementation in K-rep Bank .
- 3) Provide useful information to future researchers who would wish to research on strategy implementation and its challenges in Micro finance Institutions.
- 4) The study will be of benefit to K-rep Bank in reinforcing the existing implementation strategy.
- 5) The study can be useful to the Legislative arm of the Government especially in formulating the Microfinance Bill, That way they would be able to identify areas of intervention like capacity building and support.
- 6) Provide useful information to investors and the donor community in formulating and planning on areas of intervention and support.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter brings out available literature on the key factors of strategy implementation which provides the enabling environment and the challenges faced during strategy implementation. The review has been carried out from both general perspective of strategy implementation by strategic management authors and specifically on the scarce literature on strategy implementation by Micro finance institutions specifically K-rep Bank.

2.2 Key factors in strategic business plans implementation

2.2.1 Organizational culture

Organizational culture refers to the set of important assumptions that members of an organization share in common (Pearce & Robinson, 2002). It is important that the culture of an organization be compatible with the strategy being implemented because where there is incompatibility between strategy and culture, it can lead to a high organizational resistance to change and de-motivate which in turn can frustrate the strategy implementation effort. However when culture influences the actions of the employees to support the current strategy, implementation is strengthened (Aosa, 1992).

Each organization possesses its own culture, i.e., a system of shared beliefs and values. The corporate culture creates and, in turn, is created by the quality of the internal environment; consequently, culture determines the extent of cooperation, degree of dedication, and depth of strategic thinking within an organization. An important element in this context is the motivation of the employees, which will determine the potential and force for a significant change within the corporation's system (Raps & Andreas, 2004).

Before change can occur, the organization and its cultural values have to be “unfrozen” to understand why dramatic change is even necessary. While the need for change may be apparent to the top executives, it isn’t always obvious to the rest of the organization. Top management’s principal challenge in the cultural context is to set the culture’s tone, pace, and character—to see that it’s conducive to the strategic changes that the executives are charged with implementing. When implementing strategy, the most important facet is top management’s commitment to the strategic direction itself. In fact this commitment is a prerequisite for strategy implementation, so top managers have to show their dedication to the effort. At the same time, this shows a positive sign for all affected employees (Raps & Andreas, 2004).

An institution should strategically manage Culture and attitudes by breaking away from past and introduce new focus, simply procedures, Cost consciousness, everyone belonging to a profit centre, Dialogue should be at the core of culture and basic unit of work. How one talk to each other determines how the organization functions. Execution must become a culture in the organization in order to achieve successful strategy implementation. Bureaucratic culture chases good managers and leaders. You must have personal and good working relationship with your staff, but also maintain adequate distance to be able to take stern actions when needed (Mutua, 2005)

2.2.2. Organization structure

A major part of an organization strategy for attaining its objectives concerns how the organization is structured. The structure of the organization is reflected in how groups compete for resources, where responsibility for projects and other performance measures lie, how information is transmitted and how decisions are made. In addition to clarifying and defining strategy through delegation of authority and responsibility the structure of an organization can either facilitate or inhibit strategy implementation (Byars, 1991). Organizations need a structure that

is designed to allow it to develop its skills and become more specialized and productive (Hill/Jones, 2001)

To implement strategy successfully, senior executives must not assume that lower-level managers have the same perceptions of the strategic plan and its implementation, its underlying rationale, and its urgency. Instead, they must assume they don't, so the executives must persuade employees of the validity of their ideas. You should consider two aspects of your organization—its Structure and its decision-flow processes. Structure deploys accountabilities so the company can achieve its goals and objectives and, ultimately, its mission. The enterprise's mission and goals are the general and specific accountabilities of top management. The goals then are subdivided into objectives that are delegated to the next level of executive management. In effect, a strategy defines both the firm's direction and top management's job decision-flow processes; however, are the vehicles companies use to integrate results into patterns for developing, implementing, and controlling decision making (Raps & Andreas, 2004)

Research studies indicate that less than 5% of the typical workforce comprehends their organization's strategy. Without understanding the general course of strategy, employees can't contribute to an effective implementation. What's necessary to help reach this goal is a higher degree of transparency in the decision-making process. One reason strategy implementation processes frequently result in problems or even fail is that the assignments of responsibilities are unclear. Who's responsible for what? To add to this problem, responsibilities are diffused through numerous organizational units that tend to think in only their own department structures. That's why cross-functional relations are critical to an implementation effort. Bureaucracy makes this situation even more challenging and can make the whole implementation disaster. To avoid power struggles between department's and within hierarchies, you should create a plan with clear assignments of responsibilities regarding detailed

implementation activities. Through this approach, responsibilities become evident, and you can avoid potential problems before they arise (Raps & Andreas, 2004)

An organization needs reengineering to reflect the new branch network. Introduce head of operations to focus on strategy of rolling out and management of branches, Operations, banking, and logistics departments. Hive off some staff from head office finance and credit to the new Branches. Introduce new heads of logistics departments, Introduce new legal department – to focus on legal matters (Mutua, 2005).

2.2.3 Leadership

A critical ingredient in strategy implementation is the skills and abilities of the organization leaders. A leader is an individual who is able to influence the activities and opinion of others. Unfortunately, too many senior managers are merely able to influence employee's action and decisions. Leadership is not a synonym for management. It is a higher order of capability. The ability to influence the attitude and opinion of others in order to achieve a coordinated effort from a diverse group of employees - is a difficult task. However one of the key methods available to management is creating an overall sense of direction and purpose through effective strategic planning (Byars, 1991)

Leadership is needed for effective implementation of strategy, as this will ensure that the organization effort is united and directed towards achievement of its goals (Pearce & Robinson, 1988). Leadership is considered to be one of the most important elements affecting organizational performance. The leadership of an organization should be at the forefront in providing vision, initiation, and inspiration (Koske, 2003)

Leaders must be deeply engaged in all the core processes of strategy implementation. Top dogs are not exempt from execution. Leaders cannot lead from the mountain top. Execution requires a comprehensive understanding of the business, the leader is the only person in the position of achieving that understanding only the leader can make it happen through deep personal involvement in substance and details of execution. The leader must get involved in picking other leaders. This function cannot be delegated. Like a coach he/she must be involved. Only the leader can ask the tough questions and set the tone and dialogue (Mutua2005).

2.2.4 Human Resources

Human resources represent a valuable intangible asset, and recent research indicates that it is progressively becoming the key success factor within strategy implementation projects. In the past, one of the major reasons why strategy implementation efforts failed was that people were conspicuously absent from strategic planning. This just doesn't work. Employees have to be considered part of strategy implementation in general. Implementing strategic change requires the confidence, cooperation, and competencies of the organization's technical and managerial people, so the continual development of company's vital asset—human resources—is a very high priority.

The management should focus on two-way communication because it solicits questions from employees. In addition, communication should cover the reasons employees are performing new requirements, tasks, and activities because of the strategic implementation. This type of communication about organizational developments should take place both during and after an organizational change. It's essential to communicate information to all levels, and don't forget that the way you present a change to employees greatly influences their acceptance of it. To deal with this critical situation, you must develop an integrated communications plan (Raps & Andreas, 2004).

Management should enhance Personnel management by putting Head of Branches in charge of training, performance appraisal, transfers of staff hence empowering Business units in managing their own staff that they are in full conduct with and can effectively communicate with. Managements should work towards Introducing incentives for all the staffs inform of Annual cash bonus and ownership of the organization (Mutua, 2005)

2.2.5 Systems

Systems means all the procedures, formal and informal, that make the organization go day by day and year by year; Capital budgeting systems, Training systems, Cost accounting procedures, and Budgeting systems (Mintzberg & Quinn, 1991).

An essential question for managers is how to assess performance during and after the implementation. This assessment or control function is a key aspect of the implementation processes. In order to provide top management with reasonable assurance that strategic initiatives can be executed and are indeed, being implemented as intended, a control system is required to develop and provide the necessary information. Such a control system focuses on critical issues. For example, one of the most critical points within strategy implementation processes is time restrictions. The problem?, Many executives underestimate the amount of time needed and don't have a clearly focused View of the complexities involved when implementing strategies. Basically, it's difficult enough to identify the necessary implementation steps and even more difficult to estimate an appropriate time frame, so you have to determine the time-intensive activities and harmonize them with the time capacity. One way to figure this out is through fine-tuning with the affected divisions and the managers responsible for them. In addition to the probable time frame, you should calculate an extra buffer for unexpected incidents (Raps & Andreas, 2004).

Execution requires Following through the planed actions to ensure that they are implemented within the set time and resources budget. A system or tool must be put in place to capture details of progress of execution. The failure to follow through is the major course of failure. People must be accountable for results. If we do not follow through then the plan is dead (Mutua, 2005)

2.2.6 Resources Base.

Strategic issues require large amounts of the firm's resources, strategic plan implementation will involve not only allocation of people but also physical assets, or money that either must be redirected from internal sources or secured from outside the firm. Strategic business plans implementation commits the firm to actions over an extended period hence the resources must be substantial (Pearce & Robinson, 1997).

An organization offering the full range of services it will be crucial to mobilize funds which added to the funding from the shareholders will provide the much needed substantial resources to finance the planned activities (Mutua, 2005).

2.2.7 Policies and procedures

Policies are broad, precedent-setting decisions that guide or substitute for repetitive or time sensitive managerial decision making. They speed up decision making in today's competitive global market. Thus they allow decisions to be made when ever possible at the lowest level in the organization (Pearce & Robinson, 1997).

Procedures refer to the flow of information, Duties or Tasks through the interrelated stages of analysis toward the achievement of an aim. (Pearce & Robinson, 1997). As an action plan, institutions should develop management

Procedures in Operations, Performance management, Security, Staff management and administration. (Mutua, 2005).

2.3 Challenges of strategy implementation

Successful Implementation of strategy does not automatically follow strategic formulation; it exhibits its own resistance, which can invalidate the planning efforts (Ansoff & Mc Donnell, 1990). Organizations may experience changes in the business environment that can make a large part of their resource base redundant and unless they are unable to dispose off those redundant resources they may be unable to free up sufficient funds to invest in the new resources that are needed and their cost base will be too high (Johnson & Scholes, 2002)

If your company has successfully implemented a strategic plan, then you're definitely in the minority. The real success rate is only 10% to 30%. This low rate is discouraging, especially since a growing number of companies in recent years have invested considerable resources to develop the strategic planning skills. Companies obviously need to improve strategy implementation activities, but the pace of these activities and the implementation itself has many problems.

Primary objectives are somehow forgotten as the strategy moves into

Implementation and the initial momentum is lost before the company realizes the expected benefits. The cause isn't easy to explain, but it can be attributed to a variety of problems. Traditional strategy implementation concepts overemphasize structural aspects, reducing the whole effort to an organizational exercise.

Ideally, an implementation effort is a "no boundaries" set of activities that doesn't concentrate on implications of only one component, such as the organizational structure. When implementing a new strategy, it's dangerous to ignore the other components because strategy implementation requires an integrative point of view. You need to consider not only the organizational structure, but the soft

facts as well—the cultural aspects and human resources perspective. Taking into account both the soft and hard facts (like turnover, operating profit, profitability ratios) ensure that cultural aspects and human resources receive at least the same status as organizational aspects. Altogether, this integrative interpretation allows you to develop implementation activities that are realistic (Raps & Andreas, 2004).

It's a great challenge to deal with potential barriers to change because implementation efforts often fail when you underestimate these barriers. Experience shows that barriers against the implementation of the strategy can lead to a complete breakdown of the strategy. These barriers are psychological issues, ranging from delay to outright rejection, and companies need to pay more attention to them. After all, strategy implementation consists mostly of psychological aspects, so by changing the way employee's view and practice strategy implementation, senior executives can effectively transform change barriers into gateways for a successful execution. Since change is part of the daily life within an organization, you need to emphasize communication regarding the changes to push the implementation process forward. (Raps & Andreas, 2004).

More and more business owners are considering starting a strategic planning process. Yet many planning initiatives are doomed to fail because the company fails to stick to the budget (Cingoranelli 2004).

Some organizations lose their strategic focus. They have so many initiatives that they can't implement any of them properly. Make sure your strategic plans are reasonable and Focused and you have budgeted both the time and the dollars for them. "Do not place responsibility for budgeting solely with the CEO and involve all of your managers in a true dialogue to work out what really Needs to be done and how it can be done. If only your Chief executive officer Understand the budget how will you get anyone else on board to see that You hit your targets?" (Cingoranelli, 2004)

Execution during the strategy implementation is a challenging concept, it is not simply tactics. It is a system and discipline. It is either getting something done or not, it is a specific set of behavior and techniques that companies need to master in order to have their plans implemented hence a competitive advantage. A strategy is worthless if you do not at the same time make sure that you have or can get what you need to execute. Execution is fundamental to strategy and must shape it. Road maps and fat reports are a hindrance to execution. Main requirement is that you as leader must be deeply and passionately engaged in your organization and honest with reality, with others and yourself (Mutua 2005).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

A case study of K-rep Bank will be employed in this study. A case study method places more emphasis on a full contextual analysis of fewer events or conditions and their interrelations. An emphasis on detail provides valuable insight for problem-solving, evaluation and strategy. This detail is secured from multiple sources of information. It allows, evidence to be verified and avoids the problem of data being missed, (Blumberg, Cooper & Schindler 2005)

K-rep Bank is a leading and the oldest Micro finance institution. The Bank has undergone changes in terms of size, structure, business focus hence a good representative of Microfinance institutions and findings from the study will be useful to other microfinance institutions, policy makers and other stake holders.

A detailed interview guide will be used to obtain qualitative data from the Departmental heads who are the key people in charge of the Banks strategy implementation. An investigation of strategy implementation challenges and how K-rep Bank has been managing the Key factors involved during the strategic plans is a good representative of the other MFI'S strategy implementation experience.

3.3 Data collection Method

The study will capture primary qualitative Data from the Banks top Departmental heads as follows:-

- A) The head of Operations.
- B) The Head of Finance.
- C) The Head of Credit and Business Development.

D) The head of Human Resource.

E) The head of Microfinance.

The study will target the five (5) key heads of Departments who are charged with the role of ensuring that the plans are implemented. An interview guide with open-ended questions on the challenges of strategy implementation and how the Bank is managing the key factors will be used (See appendix A).The Data collection will be carried by the researcher himself through one to one detailed interviews.

3.4 Data analysis Method

A full account of the qualitative data on the challenges faced by the Bank during its strategic plans implementation and how the key factors of strategic plans implementation are being managed will be obtained, written explanation will be provided and the information will be listed and will be used to draw conclusions on the research questions in the study. This will be instrumental in establishing the challenges of strategy implementation and the ability of the Bank to manage the Key Factors.

CHAPTER FOUR: DATA ANALYSIS AND PRESENTATION OF RESULTS

This chapter presents data on the challenges facing k-rep bank in the implementation of strategic plans. The study had two objectives namely to establish the challenges facing k-rep bank in implementing their strategic plans and determine how k-rep bank is managing the key factors in the implementation of their strategic plans.

4.1 Data collection.

As indicated in the appendix, a detailed interview guide was used to obtain qualitative data from the Departmental heads who are the key people in charge of the Banks strategy implementation. An investigation of strategy implementation challenges and how K-rep Bank has been managing the Key factors involved during the strategic plans implementation. The departmental heads narrated in detail the following challenges and the actions they have been taking to manage the key factors.

4.1.1 Organizational Culture:

Culture refers to the set of important assumptions that members of an organization share in common, it is important that the culture of an organization be compatible with the strategy being implemented to achieve effective strategy implementation.

The challenge of evident conflict of values. The transformation from an NGO to a Bank also involved transformation in the values of individual. The key NGO values were bordering on social and community work while the values of a Bank are bordering on profitability and good returns to the share holders. Accordingly

this shift of values has been a major challenge in implementing strategic plans. To deal with the challenge, The Bank went about arranging staff and management outings and symposiums to explain the change of business and also communicate new direction of business and also new business plans. Buy the support of all the staff in the execution of the business plans. Incentives like bonuses were introduced to encourage staff to implement the plans successfully.

There has been no appreciation of the fact that the environment is dynamic and the Business strategic plans must take the same direction. New direction of strategy taken by the Bank and reflected in strategic plans in view of changing dynamics in the business environment has found challenges inform of resistance to new ways to do things. People want to do what they are used to. Not ready to learn new ways of doing business. To deal with the challenge, the management has deliberately involved most of the staff in strategic business plans formulation as a way of having the staff understand them, believe in them and preach them to other staff which has overtime reduced the level of resistance and achieved more effective execution of business plans.

It has been a challenge reconciling the expectations of the fresh employees from our colleges and universities with the Banks strategies. The fresh employees expect a white color Job Banking environment; however the strategies of the Bank inline with the Banks mission are geared towards providing Banking services to the marginalized poor. In implementing the plans some employees find it hard to associate with the poor. To deal with the challenge, the recruitment exercise for some cadre of staff especially the micro finance officers has deliberately targeted diploma holders as opposed to graduates. Diploma holders easily adjust to the micro finance working environment easier than graduates.

It has been a major challenge to reconcile different value orientations during strategic business plans implementations. The Bank has a staff mix with different orientations, Staff with NGO orientations and conventional Banking orientation.

To deal with these, the management has put in place extensive orientation programs made to prepare the new employees psychologically on the type of businesses and business plans they are expected to implement. This has effectively changed mind setups not favorable to business plans.

The challenges of instilling the suitable values to employees to enable them relate with the Banks strategies are evident. The initial orientation is very key to communicating the values of an organization. Because the Bank has been growing in staff numbers, sometimes orientation is done by people who do not in the first place believe in the values of the organization. Accordingly the strategy implementations experience problems from the word go. To deal with these, orientation is now being undertaken by the management staffs that have internalized the culture of the organization and believe in the business strategies of the organization which helps in strategy implementation.

The NGO business environment has defined sources of funding and well defined target groups. The commercial Banking environment dictates competitive source of funding and risky investment options. This two very different mind set ups have been a challenge to deal with while introducing clear targets and performance parameters for the staff to insure execution of strategic plans. These has been addressed by the management deliberately sourcing staff from the conventional Banking orientation to bring in the much required banking experience and culture coupled with training the staff from the microfinance orientation. This staff mix has brought in a situation where both groups are learning from each other.

There has been lack of the drive to push for different lines of business through innovation. Managers have been stack with the same product for years, new products proposed by the strategic plans are not popular internally because they have not yet familiar with the Market, Managers happy with the easy options and easy to sale products. In order to ensure that business plans are implemented

per plan and managers are motivated to innovate, individual performance contracts have been put in place. The performance contracts have targets on new innovative business ventures and bonuses have been tied to the targets to ensure that the managers are motivated.

There is no clear sense of ownership of plans hence a challenge when staff members are called to implement. Overtime the Bank has grown Business wise and the staff numbers are also on the rise. There has been the feeling that the business and hence its plans belongs to a clique of the top management. This has introduced the challenge of business plans ownership by all the organizations staff. To address these, the management has put in place activities which Endeavour to achieve full participation of all the staff in planning exercises. The management is involving most of the staff in formulating business plans so enable them understand them and also make it easier to participate in implementation. Other activities like budgets are being initiated from the lower levels of the organizations to make sure the staff believe in them and also own them.

“The management does not walk the talk” A good number of top management is not honest with the Business plans of the Bank. Targets are set based on the strategic plans which are not backed by adequate resources. Instead of management dealing with the resource challenges forth with There is a tendency to shut eyes on the original cause of problems and resorting to passing blames. To deal with these the management has encouraged staff members to be honest with them selves. Annual symposiums have been arranged for all the staff members to create a conducive atmosphere where staff can honestly share their experiences. Tell each other of their weaknesses and strengths. This has encouraged staff to be honest with themselves and also with others. The same also applies in being honest with the employer and believe in the vision, Missions and businesses plans. This has managed to prepare staff for the implementation of business plans.

Staff members do not understand the thinking behind strategic plans. They perceive them as instructions from the top Management hence a challenge during strategy implementation. The implementation is basically an exercise of pushing the plans down their throats. To deal with the challenge, when the management is undertaking major strategic plans, the staff members have been included in the initial formulation of the plans, in the work plans and also the schedules of implementation. In some cases to ensure that the staff buys into the business plans, the management has overtime arranged retreats to deliberate on the business plans and staff members are encouraged to ask tough questions to ensure understanding of the plans.

Managers who support some courses of action or strategic plans are seen to comply with the powers that be or please the Boss. The lack of frankness has been a challenge during strategy execution which requires tough questions to be asked. To deal with these the management from the top office has continuously encouraged the managers to feel free to seek advice on any matter or suggestion. The Managing director has guaranteed that there will be no victimization of staff who is honestly pointing out issues for the benefit of the entire organization. The managing director has also encouraged the managers to give similar guarantees to their subordinates.

During strategy implementation, information must flow freely to ensure effective and open communication; however this has been a major challenge. Feed back from the ground on wrong assumptions made during the formulation is not been communicated openly. Managers fear coming up with issues because they could be perceived to be against the strategy implementation. The management has introduced Monthly management meetings which draw officers from the entire Bank branches have been put in place and the Bank officers are encouraged to share with the management all the challenges they are facing while implementing

the Banks Business plans. This ensures feed back during strategy implementation and corrective measures are taken through the monitoring.

4.1.2 Organizational structure:

Organizational structure refers to the way managers delegate authority and divide up task relationships. Its role is to ensure that managers can coordinate the activities of the various factions or divisions to exploit fully their skills and capabilities.

Organization structure is a major challenge to strategic plans implementation because some managers do not have what it takes to execute a plan because some promotions are based on history. Who moves to the next level of management depends on the years of service in the organization but not on performance on the capability to execute. To deal with the challenge, the management has introduced performance contracts to be signed by all the management staff. These performance perimeters clearly outline clear targets and performance indicators based on the agreed business plans needed to be implemented. Time frame aspects are also introduced into the parameters. This way the structure appreciates performance.

The design of the Bank has sometimes been done to suit individuals as opposed to suiting business opportunities or challenges. Such a design becomes a liability when implementing strategic plans. To address the challenge the management has put in place measures where by new positions are created in line with Business plans requirements. In other words the positions are based on Demand by the business.

The hung ups of the NGO legacy which had some elements of socialism has been a major challenge in designing the right structures to fit well with the business strategies, The NGO mentality that every staff deserves some level of

responsibilities and compensation, whether performing or not does not auger well with business. These has been addressed with the adoption of performance contracts is slowly changing the NGO mentality and the gauging of individual performance becomes instrumental in compensation and has a direct bearing to meeting organizational targets through implementation of set strategies.

Strategy execution suffers where there are long channels of communication. The Bank's structure has many positions and it takes a long while and even information distortion before the people in charge of implementation get it. The management has moved quickly to shorten decision making channels by basically empowering more managers in the business units to make decisions at their stations. Strategic business plans are now implemented faster as opposed to earlier arrangement where the decision making channels were too long and a bureaucratic red tape was evident.

4.1.3 Leadership:

Leadership is the ability to articulate a strategic vision for the company or part of the company, and to motivate others to buy into the vision. The Challenge is there is evident lack of visionary at all levels of management which poses a major challenge during strategy implementation. The Banks vision has at some levels become a song thus not shared and internalized. The Banks vision is not effectively communicated by all the managers in charge of implementation. The managers endeavor to control the activities of the staff as opposed to motivating others to buy into their vision.

The sharing of the Banks vision is the only way the Bank can achieve effective implementation of strategy. The CEO has been holding sessions with all the staff members to articulate the Vision of the Bank so that every one in the organization can buy into the vision. The staff should also succeed in articulating the vision to other members of staff.

The vision is what enables managers who are leaders in strategy implementation to move the business of the bank to another level. To be able to do that, knowing the business of The Bank is not enough, the main challenge is to believe in the business of the Bank. That way the manager is able to practice and even preach the same to the subordinates who are in charge of implementation of the strategy. To deal with the challenge, Promotions and recognitions are targeting those individuals who are able to demonstrate that they believe in the Banks business and strategic plans and can execute them with the support of their staff. This is a major incentive for the individuals who are visionary.

The levels of commitment to the goals and objectives of the organization are low and are a major challenge to strategy execution. Managers do not practice team work instead they engage in an exercise of outdoing each other to look good in the eyes of the boss. Commitment is a major challenge to some manager's who leave by the day. They do what the Job description requires of them and no more. They do not believe in what they are doing and work becomes routine and boring. To address the challenge, the need for team work has been emphasized at all the levels of management. Business unit's heads have been appraised on the team ness parameters to ensure that the units work as a team towards the implementation of goals.

Delegation is a major challenge and an obstacle to strategy implementation. Instead of some managers delegating to their subordinates to ensure quicker execution of plans, they hold on to the powers mostly because they are scared of their juniors out smarting them. This slows down the implementation plans and also demoralizes the staff. To manage the issue of delegation, which is very important during business plans implementation, Management has incorporated delegation as a parameter in measuring the performance of managers.

In ability by some managers to mentor future leaders is a major challenge. Some managers fail to do the required mentoring because they feel insecure. If they do so their juniors can easily take over from them. To deal with the situation, Management requires that all the managers to develop a plan for individual staff members on their carrier and academic progression.

Power entrusted with some of the managers is not used to reinforce strategy implementation. Some managers are using it to scare the junior staff members and some units basically fail to hit set targets because of lack of astute use of power. There are some managers who get drunk with power and start behaving like small gods. These are the same individual entrusted with giving the other staff direction. This is a major challenge to strategy implantation of strategic plans. To address the situation, Leadership abilities have been also made a major parameter in the performance management and appraisal process. The management is also sponsoring the key managers to attend leadership seminars.

The absence of preparing managers to take up leadership roles is a major challenge to strategy implementation. Managers are just promoted without being taken through leadership training hence they are not equipped with the skills of dealing with the challenges of business plans implementation. The management is encouraging managers to take up professional courses, which will prepare them to handling softer issues hence managing the staff well.

4.1.4 Human Resources:

These are the skilled people who perform the value creation activities efficiently. The Human resource which is a very key unit in any organization during strategic plans implementations has for some time taken the second banner. The Banks management has for some time not seen it as a strategic department like others. To address the situation, The management has given the Human resource department the recognition it deserves by creating the position of a Chief Manager Human resource who reports directly to the managing director.

The training element of human resource is a challenge. Staffs are not fully equipped with the skills needed for strategic business plans implementation. Training has overtime been seen as a preserve of Human resource department. However human resource department should be seen as a facilitator while the line managers are the experts and should take up training responsibilities. To address the challenge, the training activity has been put under the Business Units basically the Branch managers who continuously train their staff with the Human resource department providing the support. Training has been incorporated in the business unit's heads performance targets to ensure that training needs are being addressed.

The inability to identify training needs in advance and planning for the training has been a challenge to strategic plans implementation. New staffs are assigned key rows of business strategy plans implementation without training or even the training coming after the staff has committed all the mistakes through the poor planning. To address the challenge, it has been made mandatory that all the staff are taken through the initial training to appreciate the Banks business before they are deployed in the various business units to take part in the strategic business plans implementation.

Strategy implementation requires individuals to operate in Teams. This can only be effective if the individuals also share their goals. The issue of teams has been a major challenge for the Bank. Although there has been a level of team ness at the lower cadres of the organization, at the higher levels of there are some managers who still think they are competing with their colleges. These situation has been addressed by the emphasis for team work has been preached all over the years. Symposiums and teamwork activities have been arranged at the head office level and also at the Business unit's level to ensure that people internalize the importance of team ness during strategy implementation activities.

The Bank is heavily challenged in the area of rewarding which de-motivates the workforce hence slowing down the implementation of strategic business plans. The banks resource capacity has not been able to adequately compensate a bottom heavy organization structure. This is made up of an army of field officers who are very key in the microfinance operations. The Bank has deliberately moved first to adjust and rationalize the reward or the employee remuneration to ensure that the employees are fairly rewarded based on performance. This is a retention strategy aimed at keeping the staff that are keen in executing the Banks strategic business plans.

Over time the bank has been challenged in the area of marching reward to performance basically because staffs were not given measurable targets, As a result rewarding has been subjective as opposed to being objective. The management has introduced performance contracts at all the levels of management. The performance contracts are basically about ensuring that the Banks business strategic plans are implemented.

As a result of the Banks inability to adequately compensate, the next challenge has been in ability to retain the good staffs that have the right skills very crucial in strategic plans implementation. The long experienced staffs have been targeted by competition and we have seen them leave the Bank for greener pastures. The

challenge has been dealt with by putting together a strategy of retention and also attraction of new employees who can adequately champion implementation strategies. Officers and managers salaries have been reviewed upwards to reflect the industry averages.

4.1.5 Systems:

Systems are the controls put in place to ensure tasks are undertaken within budgeted resources and time frame. The Bank is heavily challenged in that it has been moving into new business fields where it lacks the experience to draw from. Budgets are based on the past experience which is then used for future projections. This past experience is lacking in the Bank hence the Budgets used for the Business plans implementation are not realistic. To address the challenge, the management has made the effort to initiate budgets right from the individual in charge of the implementation. That way realistic goals and targets are set and also it helps in having the staff who will be implementing to own the budgets.

The Bank has robust accounting systems in place to support strategic plans implementation, but the challenge has been the lack of the discipline and the knowledge to follow the systems. There has been cases of individuals wanting to take shortcuts to beat the bureaucracy which is sometimes associated with systems. To deal with the challenge, a roller desk tool summarizing the Banks policies and procedures has been put in place. These ensure the Banks processes in implementing strategic plans are well understood by all.

4.1.6 Resources:

These are the financial assets (Funds) Physical assets (Land, Buildings, Plant and Equipment Technological, organizational, intangible resources (Brand

names, Reputation, Patents, Marketing and technological knowledge.) Success in strategy implementation requires the above resources should be unique and Valuable.

Resources have been a major challenge during the implementation of Businesses plans. The Background of the Bank has been a lending microfinance institution whose major source of funding has been equity capital. When the Bank went full time commercial, it needed to grow a larger pool of deposits to support more lending. The bank had to approach the public for deposits at a competitive pricing. The deposits are being raised slowly while the asset base has continued to grow rapidly. The result has been a skewed balance sheet with a heavy asset base funded by a thinner deposit base. Accordingly some business strategic plans have seen late implementation or never been implemented at all.

To ensure that strategic business plans are implemented without unwarranted delay, the management approached some of the business partners to put in more funds inform of equity. The management and especially for purposes of ensuring enough funds during implementation accessed debt finance from established institutions. Attractive rates of return have also been availed to encourage depositors to keep funds with the Bank hence enough funds to support business plans implementation.

For the Bank to achieve a wider base of deposits it put in place other plans aimed at deposit mobilization. On of the major plans was to roll out Bank branches to widen the net and capture more depositors locally. Such plans faced more challenges because there was need to raise funds to roll out more and more braches given a very tight budget of funds.

When the Bank ventured in to commercial Banking, it had to equip it self with the required skills needed to compete favorably in the service industry. The new challenge to implement the plans towards achieving a robust Information technology was the availability of resource. IT systems are very expensive to implement hence impact on strategy implementation. To address the challenge, The Bank has acquired a new core banking software which will be in a position to handle all the challenges associated with the very dynamic Banking industry.

4.1.7 Policies:

Policies are the broad precedent-setting decisions that guide or substitute for repetitive or time sensitive managerial decision making. They speed up decision making in today's competitive global market. The Bank put in place policies which assist staff in decision making. The challenge which has come up during strategic plans implementation is the inflexibility of some of the policies which hinders the speed of strategic plans implementation. The dynamism of the Banking environment has also rendered some of the policies irrelevant and a hindrance to innovation. Policies which require individuals and companies to operate accounts for a certain long period before they access Bank credit slow down plans to grow business. To address the situation, The Bank has introduced the positions of the Regional Business Development managers and a special projects department to handle all the business opportunities which require mitigations or a waiver.

4.1.8 Procedures

Procedures refer to the flow of information, Duties or Tasks through the interrelated stages of analysis toward the achievement of an aim. Before the Bank went into real time commercial Banking, the flow of information, Duties and tasks was mainly to do with microfinance business. When other business lines emerged with getting into (e.g.) retail business, different business plans had to be

put in place to guide the new business lines. The major challenge was to make the staff change existing procedures and adopt new ones. There came in the usual resistance to change and also costly delays and lapses in strategic plans implementation. The Bank has dealt with the situation by deliberately undertaking re-engineering of all the Banks processes which are very instrumental in strategic plans implementation.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The study set out to establish the challenges facing k-rep bank in implementing their strategic plans and determine how k-rep bank is managing the key factors in the implementation of their strategic plans.

5.1 Summary

The findings were obtained from the two research questions posed. The main challenges facing K-rep Bank in implementation of its strategic plans were issues of organizational culture, Organizational structure, Leadership, Human resources, Systems, Resources, Policies and procedures.

5.1.1 Organization Culture

This appeared to be a major and unique challenge facing the management, the main reason being the drastic shift of culture from an NGO mind set to a commercial Bank mind set. However the Banks strategy of taking all staff through symposiums, management talks and Workshops is slowly bringing in the desired culture. This will continue being a challenge to K-rep and other Micro Finance Institutions.

5.1.2 Organizational Structure

It is evident that the organization structure is not conducive in helping the Bank achieve its objectives, Missions and Vision hence a challenge to strategic plans implementation. However the Bank has taken up the challenge by continually reviewing the organization structure and even at some instances involving consultants.

5.1.3 Leadership

The leadership traits are lacking in most of the management staff hence a major challenge to capacity to see through strategic plans implementation. The capacity to influence the activities and even the attitude of the subordinates is lacking as evidenced by recurrent staff complaints about their superiors. However the management's decision to make the issue of leadership one of the major factors in the performance appraisals is bearing good results.

5.1.4 Human Resources

From the interviews, it came out strongly that this is a very challenging area and strongly impacts on the strategic plans implementation. Human resource issues were not given weight and in fact for some time the Bank operated without a human resource manager. However the management has since realized the softer issues which have for some time been ignored, are very important in strategy implementation. As a way of managing the softer issues, a chief manager position in charge of human resource has been created.

5.1.5 Systems:

Controls and checks to insure tasks are undertaken within budgeted resources and time frame was explained as a major challenge to strategic plans implementations. An Information Communication Technology (ICT) limitation, where data is not captured adequately has impacted negatively on the customer service strategies. Poor accounting systems have also seen expensive revenue leakages. However the management has been quick in investing into an more robust information Technology system.

5.1.6 Resources:

The limited availability of physical assets like funds, Equipment and Buildings which are very key to implementation of strategic plans like expansion has been a major challenge. However an expanded branch net work has helped to source sizable deposits/funds from the public. The Bank has adopted the strategy of leasing equipment and buildings as opposed to buying and building them to ensure that an affordable infrastructure is in place to implement strategies.

5.1.7 Policies and procedures:

Policies and Procedures to oil the strategic plans implementation and execution were pointed out to have been a major challenge. However the Bank resorted into hiring consultants to re-engineer the Bank procedures. Mechanisms have also been put in place to enforce the Banks policies to ensure that all the staff abides by them.

5.2 Conclusions

This study concludes that there are many challenges which have faced and will continue facing strategic plans implementations. All the key factors affecting strategic plans were causing some levels of challenge to the management. The efforts the Departmental heads and the entire management were putting in place to manage the situation were partially addressing the challenges.

The study further concludes that some areas were causing severe challenges than others. The issues of culture, Human resource management and leadership popularly referred to as the softer issues were explained to be posing more challenges. While the Management has to a greater extent well managed the issues of Organization structure, Resources, systems, policies and procedures.

5.3 Recommendations

The study recommends that the strategy which can work for the Bank in managing the challenges is an all inclusive or integrative approach to dealing with the challenges facing strategic plans implementation.

The strong perception of the departmental heads that management was not doing enough to address the issues of culture, values and communication, is a strong pointer to the fact that the softer issues will continue to pose a major challenge to strategic plans implementation. It is recommended that management interact more with staff not only to influence their activities but to also influence their attitude in favor of the strategic vision of the Bank which translates to more effective strategic plans implementation.

The researcher also recognizes that in the light of the high level confidentiality observed in the Banking industry, it was not possible for conclusive research to be done on the entire Banking sector hence a limitation of this case study. It is against this background that a further research is recommended in future.

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APPENDIX: INTERVIEW GUIDE

The main objectives of this interview are to establish the challenges facing K-rep in implementing its strategic plans and how the Bank is managing the key factors in its strategy plans implementation.

The information coming out of this interview will be used strictly for academic purposes and will be treated with utmost confidentiality.

The specific answers will be completely anonymous, but the views, in combination with those of others, are extremely important to this study.

PART A: BIODATA

1. Sex: Male Female

2. Title:

3. Length of employment with K-Rep Bank

1 yr 2 yrs 3 yrs 4 yrs Over 5 yrs

PART B-CHALLENGES OF STRATEGIC PLANS IMPLEMENTATION

Over the years the Bank has formulated several strategic plans. The implementation of the plans has seen challenges based on factors of strategic plan implementation. You are the head of one of the key Departments of the Bank and it is your responsibility to ensure the strategic plans are executed. In detail please identify the challenges you have encountered in the process of

implementation of the strategic plans in relation the following key factors in strategic business plans implementation.

Organization Culture refers to the set of important assumptions that members of an organization share in common, it is important that the culture of an organization be compatible with the strategy being implemented to achieve effective strategy implementation.

- ❖ Explain how challenging it has been shaping the behavior of your staff to ensure that they are working towards organizational goals. Comment on:-
 - values, Norms, Beliefs, Ideas
 - entrepreneurship
 - Ownership
 - Honesty
 - Frankness
 - Open communication.

Organization structure refers to the way managers delegate authority and divide up task relationships. Its role is to ensure that managers can coordinate the activities of the various factions or divisions to exploit fully their skills and capabilities.

- ❖ Explain how challenging you have found issues related to organization structure based on the experience from the current strategy implementation. Comment on:-
 - organizational design,
 - Flat structures and Tall structures.

Leadership refers to the ability to articulate a strategic vision for the company or part of the company, and to motivate others to buy into the vision.

❖ Explain how challenging you have found the issues of leadership in your department and the organization as a whole. Comment on:-

- Vision
- Commitment
- Being well informed
- Delegation
- Astute use of power
- Emotional intelligence

Human resource, Refers to the skilled people to perform the value creation activities efficiently.

❖ Explain how challenging you have found the issues of Human resource Commenting specifically on the following:

- Training
- Teams
- Reward

Systems, These are the controls put in place to ensure tasks are undertaken within budgeted resources and time frame.

❖ Explain how challenging you have found the issue of Systems in implementing the strategic plan commenting on the following:-

- Budgeting systems
- Accounting systems

- Training systems

Resources, over and above the human resource, other resources are the financial assets (Funds) Physical assets (Land, Buildings, Plant and Equipment Technological, organizational, intangible resources (Brand names, Reputation, Patents, Marketing and technological knowledge.) Success in Strategy implementation requires the above resources should be unique and Valuable.

- ❖ Explain how challenging you have found the key resources factor during the strategy implementation based on the above intangible and tangible resources.

Policies and procedures, Policies refer to the broad, precedent-setting decisions that guide or substitute for repetitive or time sensitive managerial decision making. They speed up decision making in today's competitive global market.

Procedures refer to the flow of information, Duties or Tasks through the interrelated stages of analysis toward the achievement of an aim.

- ❖ Explain how challenging you have found the issue of re-engineering policies and procedures during the strategy implementation.

PART C: MANAGING THE KEY FACTORS IN IMPLEMENTING STRATEGIC PLANS.

Based on the challenges faced on the key Strategy implementation factors (ABOVE) please explain how you go about managing each of them to ensure successful strategic plans implementation.

- Organizational Culture
- Organizational structure

- Leadership
- Human Resources
- Systems
- Resources