A SURVEY OF THE CHALLENGES IN THE STRATEGIC PLAN IMPLEMENTATION IN THE CO-OPERATIVE BANK OF KENYA LIMITED

BY

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

AUGUST 2006

DECLARATION

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

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

Signed:..MAOmbok..........Date...21st October 2006

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Dedication

To my lovely children:

Bill and Noah

and

to my husband, Dr. Tom Olali, whose

constant encouragement infused this work in ways unseen

and

to my parents Thomas Aquinas Mathiu and my late mother Melania Wanja Mathiu.

Acknowledgements

In carrying out this research project, I first and foremost needed both physical and mental strength to accomplish it within this short period of time. It is by God's help this research has been written and I offer ultimate thanks and praise to the Lord God for His faithfulness, grace, wisdom and favor.

My invaluable help came from Mrs. Margaret Alice Ombok, my project supervisor, throughout the entire course of writing this research paper. Her unselfish devotion of personal time in situations of heavy workload and genuine concern about my progress substantially contributed and significantly helped my intellectual growth.

Many thanks to all my lecturers who taught me the course work. I owe thanks also to my classmates, all of whom we motivated one another to successfully complete this programme. My gratitude, of course, is owed to the entire Co-op Bank Management and Team who participated in this research so enthusiastically, be it in answering the questionnaires or availing state of the art library services.

I would be remiss if I did not mention my loving parents, Thomas Aquinas Mathiu and Melania Wanja Mathiu (my mother passed away on 13th April 2005 while I was undertaking this program), who have always encouraged me in life. My siblings Mutuma, Fr.Mutwiri and Gacheri deserve special acknowledgements too.

To my family Dr. Tom Olali and our loving children Bill and Noah this is our accomplishment and I thank them for supporting my interests and my ambitions all the time.

If this research contains anything of value, I would like to share the credit with all the individuals and institutions mentioned above. The responsibility for any errors, omissions and distortions that the reader may find in it is entirely mine.

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LIST OF ABBREVIATIONS

CBK	- CENTRAL BANK OF KENYA
CO-OP BANK	- CO-OPERATIVE BANK OF KENYA
KCB	- KENYA COMMERCIAL BANK
NBK	- NATIONAL BANK OF KENYA
STD	- STANDARD CHARTERED BANK OF KENYA
HELB	- HIGHER EDUCATION LOANS BOARD
BSC	- BALANCED SCORE CARD
HBR	- HARVARD BUSINESS REVIEW JOURNAL
ICT	- INFORMATION COMMUNICATION TECHNOLOGY
MI	- MARKET INTELLIGENCE JOURNAL
ATMs	-AUTO MATED TELLER MACHINES
HOD's	-HEADS OF DEPARTMENTS
CEO	-CHIEF EXECUTIVE OFFICER
THE BANK	-CO-OPERATIVE BANK OF KENYA

ABSTRACT

The Co-operative Bank of Kenya launched its current Five Year Strategic Plan in the year 2005. The target was to complete the implementation by the year 2009. Companies that undergo the implementation of their strategic plans face challenges both from within and outside it. The Bank has not been exempted from this occurrence and that is why this study was undertaken to find out the challenges that have been faced in the course of the implementation of this strategic plan. The ultimate purpose of implementing the strategic plan was to obtain profitability that ensures to have the best return for the shareholder who is ever demanding higher returns on his investment.

The research sought to find out the Challenges faced as a major objective and the Measures taken to counter these challenges were looked into. The respondents were selected from the top management of the Bank like the CEO, the General Managers, and other Heads of Departments. This is where the strategic plan is embedded first before cascading it to the entire Bank in different functional levels. Questionnaires were used to guide in conducting the Personal interviews undertaken. Content analysis was used to derive the information collected from the questionnaires. Most of the responses revealed that the strategic plan is in place and the challenges faced in the implementation were well in control because the various HOD's seemed vigilant to creatively have measures to counter them. It also emerged that the various divisional strategic plan expectations were well known by the HOD's. Under each challenge the strategic plan's way forward is stated then from the findings of the interviews done, the challenge faced is elaborately discussed specifically as per the Co-operative Bank scenario. The measures taken to counter this challenge are then discussed. From the findings the Strategic Plan seems to be on track at the Co-operative Bank of Kenya.

Finally, the research study recommends the need for further studies in this area in various other organizations and having a wider target group comprising the lower cadre who are the actual people on the ground in achieving these targets that make up the total organizational profitability in the long run also be interviewed. The Branches can also be incorporated in a wider scale to get the broader view from them.

CHAPTER ONE
INTRODUCTION

1.1 Background

The globalization of world economies has resulted in high environmental volatility coming in unpredictable ways (Achrol, 1991).Environmental changes such as technological innovation, competition, globalization, regulation and de-regulation and consumer behavior have affected many organizations. These organizations have been forced to enhance their business processes in order to survive in an environment which has become increasingly competitive (Ansoff, 1987).Throughout most of modern business history, corporations have attempted to unlock value by matching their structures to the strategies (Kaplan and Norton, 2006). Organizations are therefore undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organization to that environment (Johnson and Scholes, 2002).

Competition amongst same businesses such as banks has brought about entry of new products, services and counterfeits as well (Mbogo, 2003). Consumer awareness has also increased and therefore organizations have to find new ways of attracting new customers and retaining old ones hence ensuring competitiveness in the market. Companies are therefore finding it difficult to continue using old and proven methods of sustaining growth in business as these are unable to provide solutions to today's and tomorrow's problems. Kaplan and Norton (2006) assert that as mass production took hold in the nineteenth century, companies generated enormous economies of scale by centralizing key functions like operations, sales and finance. A few decades later, a rival model emerged where corporations created business units structured around products and geographical markets. The smaller business units sacrificed some economies of scale but were more flexible and adaptable to local conditions.

In order to cope with the external and internal pressures, organizations have been forced to become more innovative in ways of doing their things faster to meet more customer demand and have more products that cut a profitable market niche. Organizations have to constantly be on the alert to anticipate change and implement it to the end (Mintzberg, 1987).The capacity to anticipate change and manage adaptation to it in a timely and acceptable way is one of the key success factors for competitiveness and wealth creation of organizations and economies as a whole. For organizations to remain truly competitive over time as the environment changes, Ross et al (1996) argue that they have to learn, adapt and reorient themselves to the changing environment. This process they argue has to be deliberate and co-ordinated leading to gradual or radical systemic realignments between the environment and a firms' strategic orientation that results in improvement in performance and effectiveness. Aosa (1992) observes that a mismatch between the environment and the organization brought about by failure to respond to changes in the environment creates a strategic problem. A strategic problem requires strategic response (Ansoff and McDonnel, 1990). In addition, Pierce and Robinson (1988) define strategic response as the set of decisions and actions that result into formulation and implementation of plans designed to achieve a firm's objectives, while Porter (1991) notes that organizations need to know the underlying sources of competitive pressure to develop an actionable strategic agenda.

1.1.1 Strategic Plan Implementation

Aosa (1992) states that different authors have defined strategy in different ways. For example some authors define the concept to include both goals and the means to achieve them (Chandler, 1962). On the other hand, some define strategy narrowly by including only the means to achieve the goals (Ansoff, 1984; Hofer and Schendel, 1978; Jauch and Glueck, 1984). The various definitions suggest that the authors gave selective attention to aspects of strategy, which are all relevant to our understanding of the concept. According to Lynch (2000), corporate strategy is concerned with an organization's basic direction for the future: its purpose, its ambitions, its resources and how it uses them to interact with the world in which it operates. A well formulated and implemented strategy offers many benefits to an organization. It helps to provide long term direction for the firm, helps companies to cope with change and enable companies to focus their resources and effort (Pierce and Robinson, 1988). Strategy assists a company to develop competitive advantage in the market. This in turn will help the company to outperform their competition (Porter, 1980). Strategy helps in achieving a more effective organization. Chandler (1962) argues that structure follows strategy. This would mean that there has to be in place a defined formal set up of the organization so that a method of how this organization will be run for order and progress is then put across. A well formulated strategy also helps to marshal and allocate the resources of an organization into a unique and viable posture based on its relative internal competencies and short comings, anticipated changes in the environment and contingent moves by intelligent opponents (Quinn 1980).

Kaplan and Norton (2004) assert that strategic planning is a step by step process with definite objectives and end products that can be implemented and evaluated. Very simply, it is a process by which we look into the future, paint a picture of that future based on current trends, and influence the forces that will affect us. Strategic planning looks three to five years ahead. It charts a definite course based on strong indicators of what the business environment will be those years. The objectives of strategic planning include understanding the benefits of strategic planning; understanding the products of strategic planning; and learning the keys to successful planning and implementation. Drucker (2006), states that companies that enjoy enduring success have core values and a core purpose that remain fixed while their business strategies and practices endlessly adapt to a changing world. The dynamism of preserving the core while stimulating progress is the reason for companies to renew themselves and achieve long term performance.

Kaplan and Norton (2006) state that once strategies have been developed, they need to be implemented. Without successful implementation, the company will not obtain the results that were intended. This would imply that targets for say revenue growth if not well articulated on the mode of achieving them, may not be realized and thus cause a back tracking in the ultimate target set. A well developed strategy will have to be executed well if we expect to obtain success in our operations. While implementation of strategy is such an important activity, it is not easy. Many excellent strategies fail when attempts to implement them are made. It is of critical importance that a company's daily activities and work efforts directly relate to accomplishing the strategic plan. It will be impossible to implement strategy if this link is not made. In order to achieve such a link, it is necessary that the company's strategy is in line with several critical components in the company. Such components include structure, leadership, culture resources and support systems. It is also necessary that the strategy be made operational. The strategy has to be recast and translated into shorter time frames appropriate for implementation. Resources need to be allocated in accordance to the priorities identified in the strategic plan. There is also need to develop policies that will support the strategy being implemented. It is important that the company energies and efforts flow in the direction of the strategy execution. The more this is the case, the more that strategy implementation stays on track.

Mintzeberg et al (1998), contends that since effective implementation can make a sound strategic decision ineffective or a debatable choice successful, it is important to examine the process of implementation as to weigh the advantages of available strategic alternatives. The implementation of strategy 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 performance measurement, compensation, and management development - all of them enmeshed in systems of incentives and controls - must be directed toward the kind of behavior required by organizational purpose. The role of personal leadership is important and sometimes decisive in the accomplishment of strategy. Although we know that organization 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.

However, there are various challenges faced in strategic plan implementation and on this, Kotter (1996) affirms that without a sensible vision, a transformation effort can easily dissolve into a list of confusing and incompatible projects that can take the organization in the wrong direction or nowhere at all. This may also be impossible unless hundreds or thousands of employees are willing to help to the point of making short term sacrifices. Employees will do this if they believe that it is possible to implement the strategy beneficially. Ansoff (1987) observes that it is not difficult to formulate a strategy; the problem is to make it work. Problems can arise when attempts are made to implement strategy. Poor implementation can occur when implementation procedures are flawed even if the strategy selected may be sound. Here again, efforts to execute strategy are impaired and portrays the failure to couple strategy development and implementation. This is where strategy development and implementation should be seen together. Persons who will implement the strategic plan should be involved in its development. Separation of strategy development and implementation may lead to a situation where critical implementation issues are left out of consideration during the strategy formulation phase. Effective strategy becomes difficult in such cases.

1.1.2 The Co-operative Bank of Kenya

Co-operative Bank was formed in 1965 by the Co-operative Movement to serve the unique financial needs of the sector and it has remained true to this founding principal of providing financial services to the Co-operative Movement. The Annual Report and Financial Statement (2005), states the facts that Co-operative Bank has a share capital of kshs 3.9 Billion, Total assets of over kshs 52 Billion, Customer Deposits of kshs 43 Billion. It is the Fourth largest bank in Kenya and is the largest issuer of Debit Cards.Today Co-operatives continues to be the core clientele for the Bank and account for over 70% of the business turnover. It is the only indigenous private bank 100% owned by Kenyan shareholders. Indeed the shareholding ratio of Class A shareholders who are the Co-operative Societies is 80% and Class B that comprises other individual members is 20%, (The Annual Report and Financial Statement, 2004). This has made many perceive the Bank as largely a co-operative movement Bank hence "locking out" potential clients. From the above background, the Bank directors are elected through the

Co-operative movement through delegates and they represent all the eight provinces of Kenya. The Bank currently has a total employee establishment of over 1400. With liberalization of the economy and globalization of the businesses, the bank embraced the new challenges by becoming a fully-fledged bank in 1994. The change of Chief Executive Officer (CEO) and the management at Co-operative Bank in early 2001 ushered a new era where new ideas are adapted and managers reclaiming managerial responsibilities. The main objective then was to come up with innovative business strategies that would ensure the bank served its core customers, the Co-operative Societies and Non Co-operative customers effectively.

The Co-op Bank embarked on reviewing its Five year Corporate Strategic Plan which builds on the existing strengths of the Bank specifically addressing Business growth and development, Information Technology and Business Management, Enhanced Service Delivery, Profitability, and Capital growth. It therefore entails knowing not only which direction the Bank wants to go but also where it is at present (Co-operative Bank of Kenya Five-Year Corporate Strategy Plan, 2005). This strategy, therefore, would serve to enhance the Bank's competitive edge in the industry. The strategic plan for the Bank has been drawn up with the theme "Managing for Value". The strategies are based on four perspectives: First, People; secondly Customers; thirdly Financial Performance and Risk; and finally Control. The goal of the plan is to ensure that the Bank meets the shareholder's expectations; provides the Bank with a common language and clearly understood objectives; guarantee satisfaction to the satisfaction to its chosen customer segments and business partners. A focus on these four perspectives would result in the following four key results: Satisfied Customers; Delighted Customers; Efficient and Effective Processes; and Motivated and Prepared staff. Therefore these will enable the Bank achieve its corporate goals through sustainable competitive advantage. The Strategic Plan is in place and ongoing (Co-operative Bank of Kenya Five-Year Corporate Strategy Plan, 2005).

1.2 Statement of the Problem

In today's highly competitive, dynamic business environment, strategy has never been more important as Banks struggle for growth. Market Intelligence 2005, shows that most Banks fail to execute strategy successfully. The core gap for many Banks is their failure to link long-term strategy with day-to-day operational and planning and budgetary management. They lack timely insight into their business and the ability to monitor progress and initiate corrective actions soon enough to optimize results. Banks need to change the way they manage by developing a new science of Executing Strategy and are expected to anticipate market needs, exploit opportunities, identify threats and make decisions that support the Bank's corporate strategic objectives.

Co-op Bank has experienced various challenges while implementing the Strategy in place and this is what this study sought to find out and the measures taken to counter these challenges were also looked at. These challenges come from the ultimate focus to obtain improved financial results and increased shareholder value, Greater customer focus and expanded market share, Better operational performance and execution, Increased employee alignment to the Bank's strategy and accountability, 'Proactive' management compared to 'Reactive' management.

Studies on strategy implementation have been done by among others Oloko, (1999), Mugambi, (1999), Awino, (2000), Odadi, (2002), Koske, (2003), and Mumbua (2004). Oloko mainly focused on Obstacles in the implementation of TQM in the Banking Sector using a case study of the Standard Chartered Bank (K) Ltd. Mugambi looked at the Legal and management implication of the Y2K problem using the case study of banks in Kenya. Awino studied the Effectiveness and problems of strategy implementation of financing higher education in Kenya by HELB. Studies by Odadi, (2002), Koske, (2003), and Mumbua (2004) looked at The process and experience of implementing the balanced score card technique using the case of Stanbic Bank, Nairobi ; Strategy Implementation and its challenges in Public Corporations using the case of Telkom Kenya Ltd and Factors Influencing Strategy Implementation by International NGO's Operating in Kenya respectively.

Due to contextual, sectoral, and managerial differences among these organizations, strategic implementation challenges gained from these studies would not be assumed to explain strategic implementation challenges at the Co-op Bank, unless an empirical study suggested so. Further research showed that a specific study like the one proposed herein had not so far been undertaken since the implementation of the Strategy in 2005 in the Co-op Bank.

This study therefore focused on strategic implementation challenges by Co-op Bank. The proposed study aimed to seek responses to the following research questions:

i. What challenges have been faced in the implementation of the Co-op Bank's Corporate Strategic Plan already in place?
ii. What measures have been taken to counter these challenges?

1.3 Objectives of the Study

The objectives of the study were:

i. To establish the challenges faced in the strategic plan implementation already in place.
ii. To find out the measures taken to tackle the challenges.

1.4 Significance of the Study

The results of this study may be useful to:

i. The Co-op Bank top management: As a source of enlightenment in knowing whether the implementation of the Strategic Plan is on course. This may serve as a source of reference as future Strategic Plans are being put in place.
ii. The Banking Industry: The players in the banking industry may use the results of this as they implement their Corporate Strategic Plans.
iii. Academic Researchers: The study may add to the existing body of knowledge on strategic plan implementation and may stimulate interest that will lead to further research in a related aspect of the field of strategic plan implementation.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

Dynamic technological challenges and opportunities, diverse economic conditions, regulatory demands by the Central Bank of Kenya are some of the environmental challenges that have had their level of impact in the banking industry, and the Co-operative Bank of Kenya has not been exempted from this. Burnes (2000) argue that change is an ever-present feature of organizational life and its pace and magnitude has increased significantly over recent years. Co-operative Bank of Kenya is therefore not immune to environmental turbulence. Since the bank has no ability to stop the discontinuous changes in the environment, the best it can do is to strategically respond to these changes to reduce their adverse effects on the bank.

A bank can be defined as an institution that mainly deals with receiving money deposits from investors and lending money in form of short or long-term loans and advances to its customers at pre-arranged rates of interest (Mbogo, 2003). According to Market Intelligence (2002), there are 46 banks in Kenya which essentially takes deposits from individuals and organizations to invest on their behalf. Banks have even resulted in mergers to form stronger capital base for larger business and even some that could not find suitable partners have had to close their business. This especially occurred after the CBK passed new laws on capital base for Banks' operation, where under the statutory requirements in order for a bank's balance sheet to grow, it had to take in more deposits to enable more lending to take place. A bank's main business is that of lending money and therefore create revenue.

Thompson and Strickerland (2003) observe that strategies are at ends and these ends concern the purpose and objectives of the organization. They are the things that businesses do, the paths they follow and the decisions they take in order to reach certain points or level of success.

Mintzberg and Quinn (1998) identify four interrelated definitions of strategy as a Plan, Perspective, Pattern and Position. As a plan it is some sort of consciously intended course of action, a guideline to deal with a situation. As a pattern it integrates an organizational major goals, policies and actions sequences into a cohesive whole. Strategy as a position becomes a mediating force or match between the organizations and its external and internal environment. Strategy as a position looks outside the organization seeking to locate the organization in the external environment and place it in a cohesive position. Strategy as perspective looks at the inside of the organization. In this respect it is a concept and a perspective shared by the members through their intentions and actions.

Wu et al, (2004) emphasizes that implementing strategies successfully is vital for any organization. Without implementation, even the most superior strategy is useless. Strategy implementation involves the allocation of sufficient resources like financial, personnel, time, and computer support system. It also involves establishing a chain of command or some alternative structures such as cross functional teams. Thirdly is entails assigning responsibility of specific tasks or processes to specific individuals or groups. It also involves managing the process which includes monitoring result, comparing to benchmarks and best practices, evaluating the efficacy of the process, controlling for variances and making adjustments to the process as necessary.

Noble (1999), makes distinctions between structural and interpersonal process views on strategic implementations. The structural perspectives focus on formal organizational structures and control mechanisms, while the interpersonal process is about understanding issues like strategic consensus, autonomous strategic behavior, diffusion perspectives, leadership and implementation style, communication and other interaction processes.

2.2 Strategic Planning

Corporate strategy can be more formally defined as a comprehensive plan or action orientation that identifies the critical direction and guides the allocation of resources of an entire organization. The strategy thus is the statement about what should be done to ensure prosperity based on the company's vision, values and mission. Kaplan and Norton (2006) contend that a Strategic Plan is as a result of decision making process from various departments. Kaplan and Norton (2004) confirm that Strategy describes how an organization intends to create sustained value for its shareholders. Kaplan and Norton (2005) say that Strategy and operational performance have a big impact on the total shareholder return (TSR), which in turn has a big impact on the Chief Executives' career prospects.

In choosing a strategy, it is very important to think of the growth of the firm, the relative positioning and the impact the firm will create to the environment. A strategy is the course of action to achieve targets. This means planning what must be done by the company in order to achieve its long term objectives and goals. It can also be a system plan for achieving a specific goal or result. Drucker (2006) suggests that in choosing a strategy a company has to consider the overall plan of development. Strategic planning is concerned with exploiting opportunities, determining the future shape, size and posture of the organization and developing overall objectives and strategies. It involves a broad examination of the question of what an organization must do to operate more profitably and increase shareholders wealth; provide statements of the institution's strengths and weaknesses; provide a definition of the gap in performance between where it is currently and where it wishes to be at any given time in the future. Kaplan and Norton (2004) assert that the output of the planning process are statements that indicate the strategic objectives of the bank and identify market segments that appear to offer the greatest potential and any new activities that may be required to exploit this potential. The pertinent outputs also include statements rewarding future product delivery systems, desired revision in loan policies and pricing structures, suggestions for cost savings; statements of the Bank's risk philosophy, and the identification of the activities that are no longer central to the mission of the Bank.

In reality some strategies are planned and some are emergent from the actions and decisions of organizational members. Planned strategy and realizing strategy, or emergent strategy evolve hand in hand and affect each other in the process of strategy implementation, where strategies are communicated, interpreted, adopted and enacted (Noble, 1999). Implementing strategies successfully is about matching the planned and the realizing strategy, which together aim at reaching the organizational vision. The components of strategy implementation namely communication, interpretation, adoption and action, are not successive and they cannot be detached from one another. Strategy formulation and implementation is an on-going, never-ending, integrated process requiring continuous reassessment and reformation. A major part of staying ahead in the new business climate will depend on organizations having the capability to create and implement strategic and structural changes (Thompson and Strickerland, 1997). Organizations that are effective at strategic implementation successfully manage the six strategic supporting factors of action planning, organization structure, human resources, annual business plan, monitoring and control and linkages (Wu et al 2004)

2.3 Strategic Plan Implementation

Noble (1999) having focus on the process of implementation defines strategy implementation as communication, interpretation, adoption and enactment of strategic plans. For strategy to work, studies suggested that implementation guidelines should apply to the following four areas: Linking strategy to Performance; Communication and Incentives; Organizational Structure and lastly Tools and Techniques used to effect the transition from strategy to action. Strategy implementation has received increasing attention in literature (Alexander 1991; Beer & Eisenstat 2000). However no coherent research paradigm seems to exist, main reason being the diversity of perspectives that have been taken to define the concept. Pierce and Robinson (1999) state that once corporate and business strategies have been agreed upon and long term objectives set, the strategic management process moves into a crucial new phase of translating strategic thought into organizational action. The shift in focus gives rise to four interrelated concerns; identifying action plans and short term objectives, initiating specific functional tactics, communicating policies that empower people in the organization and committing to continuous improvement.

Thompson and Strickland (1996) contend that Strategy implementation is the full range of managerial activities associated with putting the chosen strategy into place, supervising its pursuits and achieving the targeted results. The work of implementing strategy is primarily a hands-on, close-to-the scene administrative task. Successful strategy implementation depends on the skills of working through others, organizing, motivating and the ability to forger an institutional culture that gets things done.

Wu et al (2004) state that strategic implementation is a process of transforming strategic interventions into actions. Implementation of the chosen strategy is by any measure one of the most vital phases in decision making process. It embraces those actions that are necessary to put the strategy into practice (Kiruthi, 2001). Strategies are merely statements of intend and therefore cannot lead into action. Strategies are not necessarily the result of strategic management process. They are however realized during implementation process. It is at the implementation stage that management translates strategies and policies into actions through the development of progranmmes, budgets and procedures (Kiruthi, ibid).

Leadership plays a key role in the strategy implementation. Pearce and Robinson (1988) contend that adequate leadership will ensure that all company effort is united and directed towards achievement of its goals. An organization's Chief Executive Officer is the most visible and important strategy manager (Thompson and Strickland, 1989). To be effective in managing a change process the leader should be a visionary. He should have necessary skill and be competent person, capable of motivating staff and handling the complexity and flexibility of change. Thompson (1996) asserts that the strategy being implemented should be realistic given the resources available to the firm and should not impose resources requirements that cannot be met. There is need for adequate administrative processes and procedures to be put in place. It is also necessary to build valuable core competences and organizational capabilities that give the firm a competitive edge over rivals in performing its critical value chain activities (Thompson and Strickland, 2003).

2.4 Challenges and Measures taken in Strategic Plan Implementation

A bank can be defined as an institution that mainly deals with receiving money deposits from investors and lending money in form of short or long-term loans and advances to its customers at pre-arranged rates of interest (Mbogo, 2003). Co-op bank is one among the forty six banks in Kenya that take deposits from individuals and invest and lend out to the economy. Kathuku (2004) argues that a challenge is posed in the fact that Competition prevails in the area of deposit mobilization. When the Bank was undertaking the implementation of its strategic plan, it was done with the aim of outsmarting the competition so that it can emerge as a leader in its own play field. At the very onset of implementation of the Strategic plan challenges become inevitable in various ways as enumerated hereunder.

Researchers have revealed a number of problems in strategy implementation for example weak management roles in implementation, a lack of communication, lacking a commitment to the strategy, unawareness or misunderstanding of the strategy, unaligned organizational systems and resources, poor coordination and sharing of responsibilities, inadequate capabilities, competing activities and uncontrollable environmental factors (Alexander, 1991; Giles, 1991; Galpin, 1998; Lare-Mankki, 1994; Beer and Eisenstat, 2000) Overwhelming majority of the literature has been on the formulation side of the strategy and only lip service has been given to the other side of the coin, namely strategy implementation (Alexander, 1985). Consequently, organizations are still facing major difficulties during the implementation process. Organizations are likely to experience even more complex challenges in the future because of changes in the global economies, competition and the nature of knowledge. Morgan (1988) using the metaphor of surfing in a turbulent sea, has this to say: For like surfers, managers and their organizations have to ride on a sea of change that can twist and turn with all the power of the ocean, managers of the future would have to ride this turbulence with increasing skill and many more competencies will be required (Morgan, ibid).

Successful implementation is as critical and difficult as the strategic choice. It needs consideration of the resources to be used, human resources requirements, the structure systems and other changes. Competency in implementation and the ability to put ideas into actions can be an organization's source of competitive advantage. An alteration of existing procedures of policies is usually unavoidable during strategy implementation. It also requires a shift in responsibility from strategist to divisional and functional managers to ensure effective implementation. Those actively involved in the strategy implementation should also be actively involved in the strategy formulation to ensure ownership of the process. Implementations of strategic change as a reaction to the influences of external changes, or in anticipation of such changes, very often fail in the operational practice.

Figure: Outcomes of Strategy Formulation and Implementation

	Well Formulated Strategy	Poorly Formulated Strategy
Well Implemented	**SUCCESS**	**ROULETTE**
Poorly Implemented	**TROUBLE**	**FAILURE**

Source: Abbass F. Alkhahafaji, PhD (2003), "Strategic Management Formulation, Implementation, and Control in a Dynamic Environment" pg 192

Lynch (2000) says that programmes for implementation of strategy may vary depending on the degree of uncertainty in predicting changes in the environment and size of the strategic change required. Comprehensive implementation programmmes are employed where the organization has made a clear-cut, major change in strategic direction. Incremental implementation programmes may be used where there are conditions of grate uncertainty, for example rapidly changing markets or the unknown results of research and development. Selective implementation programmes may be used where neither of the above represents the optimal way forward. Pierce and Robinson (1999) states that once the strategy has been designed, the mangers focus on six components to ensure effective execution; structure; systems, shared values (culture), skills, style and staff.The structure of a company should be compatible with the chosen strategy. Matching structure to strategy requires making activities and organizational units that are critical to the strategy being implemented thus uniting the main building blocks in the organizational structure

(Thompson and Strickland, 2003). Challenges such as Competition; Rapid growth beyond what was anticipated; Technology; Change Management; Free fall in loan pricing structures; Over regulation both in the Kenyan and regional economies all have affected the banking industry at one time or another.

The reason for this lack of success in implementation can be subdivided into four barriers. Firstly, management barrier which reflects the problem that the focus of the management activities is dealing with the daily business, not discussing new strategies. Secondly, vision barriers which arise when visions and strategies are not explained to the employees in a comprehensible way. Thirdly, there is a resource barrier which means that resources are not purposefully deployed for the implementation of the strategy and lastly the endeavor to secure acceptance of changes by all employees as whole usually fails. Effective strategy becomes difficult in such cases (Alcantara, 2001).

The competitive nature of the industry not only in the global economy but also in the local set up has not spared any organization from economic, social and political turbulence. Porter (1991) states that companies must be flexible to respond rapidly to competitive and market changes. In Kenya the economy has created an atmosphere of stiff competition and to survive the various organizations have to benchmark continuously to achieve best practice, which at times has called for outsourcing in order to aggressively gain efficiencies. These firms have been naturally made to nurture a few more competencies in the race to stay ahead of rivals.

Moreover, the economy in Kenya has been very unstable and there has been increased competition from other banks. Internal factors that have affected banks' performance were attributed to the fact that many banks were ill prepared to handle demands such as provision of diversified range of financial services, demands on liquidity, foreign exchange, credit products and capital finance obligations. Furthermore, other drivers of the industry's deteriorating rate in performance had been cited as being heavy investments in information technology occasioned by the 'millennium bug', this was the great fear that gripped the world that at the turn to the year 2000 from the year 1999 the computers would have problems in converting dates and this would corrupt the enormous data stored for banks and other various statistics and figures. More importantly, there is now than ever before an increased customer awareness of generally what he wants and what he has to enjoy when paying up for services in return, hence changes in customers' tastes and preferences.

Inflation has hit the economy in high indices making the value of the currency rather low and diminishing the purchasing power of the individual's net disposable income. Other factors include falling interest rates and the controversial Central Bank 2000 (Amendment) Bill referred to as 'Donde Bill' (Mbogo 2003), this bill was put forth by a Mr. Donde, stated that because banks and financial institutions still charge interest on amounts of loan even after clear indications that the customer is defaulting or the loan is turning bad, thus burdening the customer with having to pay enormous sums over even the initial principal amount borrowed, suggested that all the interest earned from such loans should be reversed over the period of time recorded. This would have been very disadvantageous for banks and any other money lending formal bodies because it would wipe away any profits declared over the time and cripple the cash flow of such organizations even though the customers would emerge winners in the long run.

In order to counter challenges and more, the Co-op Bank still focuses on fully implementing its strategic plan whose aim is enhancing the Bank's competitive edge in the industry. The strategic plan for the Bank was also drawn up with the aim of ensuring that the Bank meets the shareholder's expectations; provides the Bank with a common language and clearly understood objectives; guarantee satisfaction to the satisfaction to the chosen customers segments and business partners. The theme "Managing for Value" and the strategies are based on four perspectives: First, People; secondly Customers; thirdly Financial Performance and Risk; and finally Control. A focus on these four perspectives would result in the following four key results: Satisfied Customers; Delighted Customers; Efficient and Effective Processes; and Motivated and Prepared staff (Co-operative Bank of Kenya Five – Year Corporate Strategy Plan, 2005)

More importantly the Kenyan and Regional economies have created a challenge for organizations in various aspects. Firstly, Competition has not spared its products in copying and modify the features slightly in order to tailor make them to suit their niche markets. Kathuku (2004) says that most bank products in the economy are the same only that features are modified by individual banks. Secondly, Rapid growth in the bank than anticipated has also resulted in massive new budgetary allocations and employment. This has been precipitated by the fact that the bank's target market is widespread all over the country. Banking facilities have to be taken to these customers. Thirdly, Technology has fast evolved to include real time on- line banking. More demands by customers who want comfort in all their banking aspects, has made banks be very innovative in providing fast class Information Communication Technology. Thompson (2000) suggests that ICT has therefore evolved to suit the various demands in e-banking services. Fourthly, a free fall in the loan pricing structure has caused fluctuations in the loan policies thus the base rate variances. This in itself can cause over priced money be inaccessible to customers. The banks therefore have to ensure prudent measures are applied to realign the wholesale and retail deposits levels so that cheap retail deposits are available for onward lending to the customers. Over regulation from the CBK has also resulted in bigger investments put in to cushion cases of expanded clearing demands and regulations.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research Design

The proposed study was modeled on a case study design. The study focused on interpreting in-depth details concerning various challenges faced in the implementation of the strategic plan already in place at the Co-operative Bank. The results are expected to provide insight to understand how companies should prepare themselves to successfully implement strategic plans in order to achieve their objectives.

3.2 Data Collection

A Personal Interview Guide was used to collect the information on the challenges faced. The interviewees comprised the top management of the Bank at the Co-operative Bank. In the same interview guide there was a portion to state the measures taken by each of the top Management and Head of Department (HOD's) to counter the challenges faced in this strategic plan implementation. The Target group for the interviews was the CEO, the General Managers of the five divisions in the bank and other HOD's. The units or departments in the Bank comprise the following: Retail, Risk Management, Corporate and Institutional Banking, Treasury, Finance and Administration, Information Technology, Company Secretary, Internal Audit, Customer Care, Human Resources and Training, Merchant Investment Banking, Shares Registry, Custodial Services, Business Processing Centre, and Business Change Management. Other essential documents like the bank's Strategic Plan and Financial Statements were used in gathering more information on the highlighted areas of focus in this study.

3.3 Data Analysis

Content analysis was used to derive the information collected from the questionnaires, and documents like the Five-Year Corporate Strategic Plan, the Co-operative Bank Annual Report and Financial Statement, and the Co-op Culture booklet were used to add value into this work. According to Mugenda and Mugenda (1999), content analysis involves observation and detailed description of objects, items or things that comprise the study.

CHAPTER FOUR
RESEARCH FINDINGS

4.1 Introduction

This chapter contains research findings from the personal interview guides that were done with the various Bank Top Management Officials and the other essential Bank document like the Strategic Plan and Financial Statements. The data is summarized and presented as a feedback report from the respondents on each of the variables in question. The bigger percentage of the top management was from the Head Office.

4.2 Awareness of the Bank's Strategic Plan Currently in place

All the respondents were aware of the strategic plan which started in the year 2005 in the Bank. The respondents were the same HOD's who were involved in the strategic plan formulation. They portrayed a high sense of ownership of the strategic plan in the way they participated in the personal interviews conducted. They even knew the main purpose of the Strategic Plan which is firstly to meet the shareholder's expectations, secondly to provide the Bank with a common language and clearly understood objectives and lastly to guarantee satisfaction to the chosen customer segments and business partners. They emphasized the purpose of the strategic plan is to guide functional planning across the Bank moreover the plan set out a course to follow for the next five years and identified objectives and key results that are intended to be achieved. Specifically it enhances and provides a strategic foundation that includes the Bank's vision, mission statement, and core values and reiterates the medium term goals that are key to the Bank's success namely; customer centricity, revenue enhancement, quality service delivery, modernization of internal processes and revitalization of the workforce.

4.3 The main roles of the various divisions, branches and departments in the Bank

According to the Strategic Plan, the Bank has divided its operational working structure into two broad units namely the Customer Units and the Support Units. Both are of equal importance and complement one another in the fruition of the ultimate purpose of the Strategic Plan Implementation. The Customer Units comprise of the business outlets and the head office departments that deal directly with the customer. On the other hand the Support units comprise head office departments mainly.

The Customer Units are the economic value drivers that source revenue from the public it serves. Staff in these units are at the interface with customers and from that interaction generate direct business and revenue. Performance management of the customer units would primarily be against revenue targets. Under this strategic plan, customer units identify product managers within their units to develop customer specific products benchmarked against a product development plan that shall be required to assure the Bank of a minimum revenue level given the capital outlay each product may need. The units that are categorized here include Retail, Treasury, Corporate and Institutional Banking, Merchant and Investment Banking, Custodial Services and Shares Registry.

The Support Units on the other hand comprise efficiency drivers that support customer units. Here staff receive and process instructions, monitor efficiency levels and from that interaction generate greater risk and control improvement. Support units principally form the back office support for the entire Bank. They take care of the administration of any transaction leaving customers units so that the customer units are totally left free to concentrate on revenue-generating activities. Performance management of the support units would be primarily against efficiency targets. The departments that are included here are Risk Management, Information Technology, Business Change Management, Human Resources and Training, Finance and Administration, Company Secretary, Customer Care, Internal Audit, and Business Processing Centre.

4.4 Challenges Faced and the Measures taken in the Strategic Plan Implementation

This is the gist of this research paper and as such shall be elaborately looked at. Each of the challenges highlighted below is looked at in a threefold perspective. Firstly the ideal path to be followed in each mentioned challenge is looked at as per the strategic plan, then the challenge faced as the implementation takes place is enumerated and lastly the measures taken by each of the HOD's to counter this challenge. It must however be, mentioned right from the onset that the challenges that have faced the Co-operative Bank are very much influenced by the environment around it. This study however has limited itself to looking at the Co-operative Bank scenario. The participants in this study included the General Managers, the Chief Managers, and Senior Managers who make the team of Top Management. This top bank team was highly involved in the Strategic plan formulation. They also oversee the implementation of the plan in their respective divisions, units and departments. Each of the variables looked for in the questionnaire attached has been looked at below. It is worth noting that each respondent had different measures of countering the challenges faced in the strategic plan implementation.

4.4.1 Competition

The strategic plan clearly outlines the products that it has to aggressively develop for its core customer the Co-operatives Sector and the time frame is set for the achievement of these targets. The specific plan of setting up the Co-operatives Centre was a key highlight in this strategy. The other products that target the other customers are also enumerated and specific Support Units are charged with the responsibility of ensuring that very competitive products are put on the shelf for this target market. The development of the Mortgage Finance as an innovative product is also a strategy for the Bank.

The challenge that has been faced in the implementation of this strategy has been the fact the products in the Banking industry are not patented. The next door competitor copies the products on the shelf with a few amendments on the name and other features to ensure that its products undercut the other one. For the Co-operative Bank, the challenge has been that their product like the *Lariba* account was adopted and first launched by the Barclays Bank of Kenya. The bank has also had to contend with the putting up of banking outlets next to their own premises like what Equity Bank has done. Competition is cut throat and there are extra products offered by other banks that are equally attractive to the customer that are not offered by the Bank an example is Mortgage finance. Price wars are rampant and customers want value at the lowest cost possible. The Bank has had to expand its budgetary allocation to accommodate the capacity provision of bigger infrastructure in installing more ATM's and Higher Performance telecommunication.

Competition has offered lower prices for the same services offered at the Bank thus eating into the market share of the bank. The image and perception of the bank being mainly a farmer's bank is still in the minds of many customers. The fact that the bank is a Kenyan bank means that the patronage is mainly local and thus trying to penetrate the market to establish other niche markets has been difficult for the bank. There are long queues at the business outlets that the competition cites when putting off potential customers from signing up with the bank.

To counter these challenges the Bank has had to speed up its process of introducing innovative products in the market. Consumer banking has been very handy in attracting more customers to come on board so that the Bank can raise its revenue. The bank has put a lot of emphasis on quality service provision in all the business outlets by all staff. The IT department procures using open tendering system with a wider supplier base. The sourcing of equipment both locally and internationally ensures superior performing equipment. Focusing on the development of the core business market segments will help the bank move on. Introducing mortgage finance will enable other customer want to try out our products.

4.4.2 Technology

The technology strategy for the Business Process Change directs that there be sought an IT system that is based on integrated networks, widely available systems for users, capable of innovative and imaginative use, related to and driven by business strategies and flexible in operation.

The main challenges while implementing this strategy at the Bank was brought about by the rapid changes in the IT world thus demanding frequent replacement of equipment and software. This is expensive to the bank. Purchase prices of equipment has been very well influenced by the fluctuations of the foreign currency. Some implementation in this area takes time to materialize and actualize and more so requires continuous acquisition of skills. Training staff to use the new equipment is costly and time consuming for the bank. However this had to be done. The centralized IT system makes disruptions affect total business in service efficiency mainly because of the lack of automatic recovery software. The storage of historical data is a challenge to the business too. The development of an appropriate MIS system is of great necessity for smooth business process. The use of Internet Banking for the customers has had the challenge of having to first fully understand the effect of this to possible breaching confidentiality matters and hacking of the system by internet fraudsters. This is itself posses a great risk to the Bank's business if not properly managed.

The measures taken to counter some of the challenges above are as follows; the Bank has put in place a policy to replace equipment within the useful life. It has also seen the need to re-deploy equipment where it is best suited. The Bank works closely with suppliers to plan for possible technology changes without disrupting business. Even if the Bank has perceived itself as a leader in technology in the areas of offering Centralization and E-banking to the customers in the Banking industry, it still throws a challenge to itself to go a notch higher to maintain the position.

4.4.3 Marketing Strategy

The strategy has emphasized the aggressive expansion of deposit catchments base through an aggressive products strategy and advertisement. This is very effective in targeting the cheap and stable deposits in the form of current and savings accounts with a specula emphasis on individuals' collection accounts from the institutions and corporate.

The challenge in the implementation of this strategy is that competition is encroaching onto the bank's market share and the customers are becoming more aware of the various products and services in the market. The demand for more quality services at a lesser cost is the issue and thus the Bank has to strive to make its customer services excellent. The time taken to move within the same speed as the competition to roll out more products is also another challenge and the marketing strategies have to be alert in the launching times in order to make the desired impact to the target market.

The measure taken to counter this challenge has been for the bank to introduce the relationship management concept. Product champions and customer segmentation is bring in value to the business. The approach in retaining the customer is by having a value proposition where the customer perceives he is important. Re-engineering of the processes to become more efficient and more customer friendly is ongoing. The customer service team and the twenty four hour call center will go a long way in solving the various customer queries fir sustainability and retention of business. A larger budgetary allocation to empower the marketing department in the fields of advertising has been taken into consideration.

4.4.4 Rapid Growth of the Bank

The strategy has been to continuously endeavor to cater for the customer needs for convenient, affordable, hassle free banking. The bank thus implemented a strategy to grow the numbers of its ATM network and also increase its outlets by opening more branches at strategic locations for the business.

The challenge faced in the implementation of this has been that the growth has been fast in both capacity and business outlets occasioning a budgetary stretch which eats into the profitability envisaged by the shareholder. The growth rate's sustainability is a challenge because every time the shareholder expects better results than the previous year. The bank having chosen to be more of a retail mass serving bank has to increase capacity and upgrade its systems so that coordination is easier for all the customers. The other challenge has been the expense involved in the high tech ATM's which can last long and accommodate more business transactions so that they can assist in decongesting the banking halls. The bank has also faced the challenge of having to fast track the re-branding of all the branches with the new corporate logos and colors, and gradually centralize all the back office operations to increase banking hall space and strengthen the front office sales personnel to offer superior customer service.

The measures adopted to counter these challenges has been for the Bank to plan how to gradually re-brand and increase its ATM's points and having to actually walk the set plan. Budgetary provision allocations have been of major emphgasis to enable the fruition of these objectives. The Bank has also provided increased resources in manpower, equipment and processes in anticipation of the growth is in place. The business change is well prepared for.

4.4.5 Employees

The strategy here has been to maintain a conducive working environment in areas of skills variety, task identity, task significance, autonomy and feedback. If this environment thrives, there will be certainty of reducing the turnover rates well within industry limits and that a motivated workforce will be there to serve the customer better.

The challenge in this area has been retaining the skilled workers because there is free movement of staff in the industry. The competition poaches the best staff that are well trained and experienced, consequently leaving the gap in the specialized skills. This leaves other employees who do not have the skills exposed. The Bank has had to provide bigger budgetary allocations for outsourcing expert staff in the specific areas like IT. Main stream banking can be learnt right from the lower levels right through the end as long as proper rotation and job shadowing is done. The other main challenge has been maintaining the high budgetary allocations for the Unionisable staff salary expenses. These salary increases are pegged on the Collective Bargaining Agreement ruling passed in the respective year. The spiral effect of this is that the union staff can even end up getting higher basic salaries than the lower cadre management staff To motivate the management staff there has to be an increase in their salaries too otherwise they too can easily look for greener pastures.

The measures used to counter this critical challenge so far has been for the Bank to recruit new staff to fill up the skills gap and also train staff to be multi-skilled which means they can job shadow when the need arises. The bank has put in place success planning mechanisms and also endeavored to maintain a uniform corporate culture for cohesion. The remote measure of countering the Union salary increases has been for the Bank to consider having to exist eventually from the Union.

4.4.6 Over Regulation for the Banking Industry

The strategic plan strategy was to be in line with Central Bank's policies of regulation in various areas like market risk, sector risks and operation risks, interest rates, risk and control and compliance risk. Liberalization is supposed to lead to improved performance through competition and efficiency in financial intermediation and delivery services.

The challenge faced in the implementation of this has been shifting the attention of the Bank operations to the area of controls. League supervisions have been established to view the intensity of the risks. Asset risk being the highest has caused a lot of focus and emphasis placed on this area. Another challenge is that Controlled service providers in IT for instance the ISP'S give the Bank's little choice when procuring ICT equipment thus making facilities become both expensive and inefficient.

The Bank has taken measures to control this by participating in various regulatory forums. These forums give the opportunity to influence the level of regulation and give the necessary knowledge of the options available for the various issues to choose from.

4.4.7 Free Fall in the Loan Pricing Structures

The strategy has been to be in tandem with the effects of liberalization. Consumer products have become a way to go for the Bank in bridging the very expensive effects of liberalization, in the competition.

The challenge has been that the shift in the pricing has caused market prices go down and this means smaller margins for the banks. The consequent smaller profits means less funds are available to support the operations activities. Thus the micro business appears better but it requires a lot of supervision. This shift has occurred since the year 2003 when a free fall in pricing was the order of the day.

The measures to control this is divesting in investments for the Bank be it local and offshore markets. Taking the customer service initiative and re-engineering into account, the bank is positioned to counter negative effects of the free fall in pricing structure in the economy. The bank is focused on quality service provision so that price will not be a major issue to the customer.

4.4.8 Both the Kenyan and the Regional Markets

The strategy has been first to exploit fully the Kenyan and the regional markets before moving out there. The core customer of the Bank that is so clearly identified is the Co-operative Movement and the Mass population. The Bank is identified as a Kenyan local bank and as such accommodates the local person.

The challenge faced while implementing this strategy has been the need to provide bigger budgets for expansion in order to exhaustively entrench into the regional market before venturing out there because the local market is not yet exhausted. This has called for more employment and setting up of more business outlets in strategic places where the target market can be easily reached. The other challenge has been for the Bank to provide at speed more innovative products for its core business.

To counter this challenge the Bank has opened new business outlets at the center of the masses so at to bring its services to the people. Numerous advertising has been done to sensitize the public on the existence of the Kenyan Bank and so urging people to patronize the bank. The products for the Co-operative Movement have been replaced after some innovative changes and re-engineering so that customers are attracted to them. The Bank is endeavoring to satisfy the huge local market first and also deepen the provision of a wider service to its core customers.

4.4.9 Matching the existing Human Resource to specialized skills

The strategy of the Bank was to match existing human resource to the newly created positions at the business outlets or the service centers before outsourcing. This internal matching was done to suit the jobs envisaged in the Strategy in order to manage for value. This was with the advent of the introduction of special products like the consumer personal loans, relationship management, business and microfinance loans and even the customer care concept.

The Bank faced the challenge of identifying the right people and when these are identified the cost incurred of re-locating them to the new stations was enormous. The identification of the staff capacity and strength needed time and eventually transfers were done accordingly. The learning curve gap of training the new Personal Bankers and the Business Relationship officers was also a challenge. Most staff in the Operations department like IT is specialized and is not easily sourced from the general main-stream banking.

The Bank in countering this challenge did the matching continuously and even staff are allowed to request for transfers to areas they are best suited in. Competitive outsourcing is also done in the open market to get the best skills available.

4.4.10 Need for training and upgrading the skills to match the vision

The strategy here is to continuously train with even a target introduced of the minimum number of training days staff must meet by the end of the calendar year. Training is taken to be a responsibility of each HOD and the respective staff.

The challenge here has been the fact that the training being an on-going activity is expensive since only the best courses are chosen to make the premium staff. Training can be said to be an investment whose return may not be visible immediately until after a lapse of time. The effectiveness of training may not be measurable. Training is quite expensive for the organization especially if the ones who are trained are the very same ones leaving the organization for greener pastures. Another challenge is there being a major competition for staff time to work and meet the work targets and at the same time train sufficiently for future application. This threefold challenge forces some staff to forego training and opt to remain working in order to meet the set work targets. The IT business demand is high and dynamic, as such there is limited time to train exhaustively in order to adapt to new technology in the IT department.

The measures used to counter this challenge have been to change the general attitude towards training so that it is taken seriously by the entire staff establishment. The bank has posted staff to be lecturers at the Staff Training Center where various courses are offered in-house. There is cross breeding in training and this offers qualitative training to staff. The ultimate target here is to have premium staff to serve the bank customer. A Training User Committee has been set up to oversee and guide on the best way forward in providing training.

4.4.11 Performance Management Appraisal

The strategy has targeted to have in place a Balanced Scorecard with four pillars to guide the process of Performance Management Appraisal. The four pillars in order of priority are People, Customer, Risk and Control, and finally Financial Performance.

The challenge here has been to roll it out fully to replace the old appraisal system that staff were comfortable with. However as at now, the formulation of this process is still under review. All staff are being trained in order to embrace it objectively. More emphasis is placed on the targets achievements. The challenge will be to objectively measure and evaluate the service units whose main task is back office service provision as opposed to the specific customer business units' targets whose results are visibly seen in the level of sales made.

The Balanced Score card is still under study before implementation. There is need to continue the improving the Performance Reward Measures existing so that there is fairness created for the service departments after achieving their targets. The Balanced Scorecard is also going to be a major player in this Appraisal System.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The importance of carrying out to completion the implementation of a strategic plan cannot be over emphasized despite the challenges faced along the way. Challenges are part and parcel of the implementation process and the variables considered here are just a sample of a few. The most vigilant organizations are ready to tackle these distractions and move on course. The Co-operative Bank is on track with its implementation of the Strategic Plan in place. In fact the fruits of the implementation of the strategy are already permeating in the profitability track being realized and the innovative competitive products on its business outlet shelves.

5.2 Discussion

This study examined the challenges faced by the Co-operative Bank while implementing its strategic plan currently in place. This Strategic Plan runs from 2005 for the next five years and it is about the long term goals of the Bank and how to achieve them. Plans are, usually for a longer period of time and that is why they are implemented in phases with the financial elements and aspects divided into short term mini targets. Short term tactical planning or budgetary planning is the process of preparing detailed, short term plans lasting usually a year, for the functions, activities and departments of the organization. This therefore is the process of steering the organization towards the realization of the long term objectives in the corporate plan. Implementation becomes practical and that is when the challenges in the course of the implementation start being experienced in the various areas like Competition, Technology, and Rapid Growth of the Business Outlets, Marketing Strategies, Employees, Training and also Appraisal Systems.

The research also looked at the measures taken by the various Heads of Department in the various divisions, units and departments to counter the challenges faced. It was very interesting to note the innovative responses on the challenges and the concern to provide workable measures or solutions to solve these. The HOD's seemed aware of the challenges existing in their specific areas as they implement the strategic plan and were ready to creatively counter them so as not to loose focus on the ultimate goal. The Strategic Plan formulation and Implementation appeared in tandem. Since the plan took off from last year there is still a lot of room for charting the right way forward to ensure that the total implementation takes place as envisaged by the Bank. The number one Corporate Strategic Objectives clearly emphases the need to remain the leading financial services provider to the co-operative movement by achieving and maintaining 95 % market share of all assets and liabilities held in the banking system by the movement. The main theme of the Strategic Plan is to manage for value. This is ongoing and can only be fully assessed at the lapse of the period of this plan already in place.

5.3 Conclusion

The Strategic Plan Implementation at the Co-operative Bank of Kenya is in place. It emerged that challenges are there in the various Divisions occasioned by both internal and external factors. What is most important is that the HOD's were on the look out to act in time to counter the negative challenges so that the focus of achieving the full implementation is kept. The HOD's also realized that to achieve the strategic plan implementation there was ultimate need for teamwork and the synergy that is gained make the operational duties achievable.

5.4 Recommendations

Further studies can be done by examining other organizations other than this one specific bank. More so, the data collected can be made open to include the views of the various lower level staff in the organizational structure that comprise the non-management staff and the unionisable employees. This is will go a long way in reinforcing the fact that strategic implementation affects all areas of the organizations and all the individuals. Also studies can be taken to establish if other sectors, besides the banking industry implement strategic planning right to the end and the challenges they face and the measures taken to counter these challenges so that the cumulative finding will provide relevant and additional information to the study of Strategic Plan Implementation.

Limitations of the Study

The limitations that can be linked to the study can be first and foremost, there was a concentration on the Head Office more than the Branch network. This was mainly because the majority of the target group is based at the Head Office. The research thus can be enriched by getting views from the Branch Heads who are also responsible for the implementation of the strategic plan that concerns their branches which are important revenue generating centers. Furthermore, the research embraced the top management of the bank, it could be enriched by embraced a bigger number of respondents ranging from the very lower cadres to the top most, and maybe this would have broadened the ideas got from the personal interviews of this top management.

Suggestions for further Research

Further research can be undertaken to incorporate the wider non-management staff of the Bank. More so the organizations that can be studied are far more in number than this very one. The total number of Banks in Kenya alone can make a rich basis of research in this area. Diversity in emphasis on the target study group can be made to include other variables that are of great influence to the strategic plan implementation. Further research can be made targeting the wider branch network so that the total picture is taken care of the organization.

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APPENDICES

Appendix 1:

Letter of Introduction

Olali, P.N. Mathiu,
Faculty of Commerce,
University of Nairobi,
P.O.Box 30197,
Nairobi.
10^{TH} June 2006

Dear Respondent,

COLLECTION OF SURVEY DATA

I am a post graduate student at the University of Nairobi, at the Faculty of Commerce. In partial fulfillment of the program Masters in Business Administration (MBA), I am undertaking a management research project entitled:

"A Survey of the Challenges in the Strategic Plan Implementation in the Co-operative Bank of Kenya Ltd"

Being a valued Co-op Bank team member, you have been selected to form part of this study. I kindly therefore request you to assist me in filling out the attached questionnaire. Kindly respond to all the questions as best as you can.

The information provided will be used exclusively for the purpose of this research. My supervisor and I assure you that the information will be treated in strict confidence. A copy of the final report will be availed to you upon request.

Your co-operation will be highly appreciated.

Thank you in advance.

Yours faithfully,

Pauline N. Mathiu-Olali
MBA Student
University of Nairobi

Margaret Alice Ombok
Senior Lecturer/Supervisor
University of Nairobi

Appendix 2:

The Questionnaire

1. Name of the respondent (optional)………………………………………………..

2. What is your job title in the Bank…………………………………………………...

3. How many years have you worked for Co-op Bank now? Please tick one.
   a) Below 5 years (……)
   b) 5-10 years (……)
   c) 11- 15 years (…….)
   d) Over 15 years (…….)

4. Where are you working currently? Please tick one.
   a) Branch (…….)
   b) Head Office (……)

5. What is your division's / branch's / department's main role in the bank? …………………………………………………………………………………………… …………………………………………………………………………………………… ……………………………………………………………………………………………

6. Are you aware of the bank's Strategic Plan currently in place? Please Tick one.
   a) Yes (……)
   b) No (……)

7. What **challenges** have your division / branch / department encountered while implementing the strategic plan? Kindly explain in detail in the space provided below as per the guidelines given:

a) Competition

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b) Technology

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c) Marketing Strategies

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d) Rapid Growth of the Bank

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e) Employees

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f) Over Regulation

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g) Free Fall in loan pricing structures

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h) Both the Kenyan and Regional Economies

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i) Matching the existing human resource to specialized skills to suit the jobs envisaged in the Strategy in order to manage for value.

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j) Need for training and upgrading skills to match the vision.

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k) Performance Management Appraisal

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8. What **measures** have your division / branch / department taken to tackle the challenges you have faced in the Strategic Plan implementation? Please explain in detail in the space provided below as per the guidelines given:

a) Competition

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b) Technology

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c) Marketing Strategies

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d) Rapid Growth of the Bank

....

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....

e) Employees

f) Over Regulation

g) Free Fall in loan pricing structures

h) Both the Kenyan and Regional Economies

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i) Matching the existing human resource to specialized skills to suit the jobs envisaged in the Strategy in order to manage for value.

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j) Need for training and upgrading skills to match the vision.

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k) Performance Management Appraisal

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9. Any other comment and observation on the strategic plan of the bank currently in place?

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Thank you for your co-operation.