

**STRATEGIC CHALLENGES AND THE IMPLEMENTATION OF
AGENCY BANKING BY
CO-OPERATIVE BANK OF KENYA**

BY

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DECLARATION

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

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The project has been submitted for examination with my approval as a University supervisor.

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DEDICATION

To my dear and loving wife, Ruth Wanjiku Mugo and my lovely daughter, Hope Mendi Mugo.

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I am sincerely grateful to God who has graced me with the ability to complete my Masters program. I am indebted to my supervisor, Dr. Z.B Awino for his time and unparalleled patience which proved priceless to complete this project.

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ABBREVIATIONS AND ACRONYMS

BBK:	Barclays Bank of Kenya
CBK:	Central Bank of Kenya
COOP:	Cooperative Bank of Kenya
GOK:	Government of Kenya
KCB:	Kenya Commercial Bank
TKL:	Telkom Kenya Ltd
NSE:	Nairobi Stock Exchange
POS:	Point Of Sale
RBV:	Resource Based View

ABSTRACT

In Kenya, agency banking is regulated by the Finance Act, 2009 that became operational in January 2010. The Central Bank of Kenya published on May 3rd 2010 the guidelines under which the agency banking model will be operated in Kenya and which are meant to minimize risk inherent in the agency banking system by providing a clear regulatory framework. More than ever before there is a global consensus to avail financial products to previously ignored areas due to long held views that such areas were considered economically unviable where financial institutions operate from. There is a growing need to avail and promote technological innovation and advances to such areas and to systematically expand financial systems. This effort to bring all far-flung areas have led to major financial institutions adopting agency banking. The main aim of this study is to investigate challenges faced by Co-operative Bank of Kenya in implementation of its Agency Banking as a competitive strategy in Kenya. The study reviewed other studies on strategic management, competitive strategy, strategy implementation and finally competitive strategy implementation challenges. Challenges that occur during the implementation process of competitive strategies are an important area of research because even the best strategies would be ineffective if not well implemented. This particular study was conducted through a case study and it is considered suitable as it allows an in depth study of the subject. The study used primary data collected from key informants through interviews and it involved top level management of the organization. The data was qualitative in nature and therefore, content analysis was used to analyze the data. It was clear from the study that strategic responses to implementation of agency banking as a competitive strategy in the market included provision of high quality customer service, providing high quality service and use of latest mobile telephony services. The researcher concluded that the strategies adopted by Coop Bank in response to changes in the market place were offering high quality services, providing superior customer services to the market and the use of latest technology. The study provides useful information for decision making to the various stakeholders in policy, theory and practice. It will help the management of COOP bank in understanding the challenges to the implementation of its competitive strategies and possible solutions to those challenges. The CBK will also find the study useful in guiding formulations and review of policies in the industry that will affect Agency banking in Kenya.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The business environment has dynamically evolved. The environmental conditions facing most firms are complex and ever changing and will continue to change rapidly, radically and unpredictably (Burnes, 1996). To deal with such unprecedented level of change, a lot of thinking has to go into the issue of how strategies are best formulated and successfully implemented. Due to the changing environment, organizations have to constantly adapt their activities and internal configurations to reflect new external realities as they arise. Failure to do this may jeopardize the future success of the organization (Aosa, 1992).

Many business strategy decisions involve interdependent outcomes and therefore seem to lend themselves to various strategic theories. Agency Theory is appropriate when studying strategic actions taken by commercial banks in adopting Agency banking to increase non funded income. However, RBV seems to suggest that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm e.g. Wenerfelt, 1984) according to Barney (1991) the concept of resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.

Since strategic management is about managing the future, effective strategy implementation is therefore crucial as it directs the attention and actions of an organization. It is however essential to note that, the elements of rationality as is introduced by strategy are disruptive to the historical culture existing in a firm and threatening to the political processes. Typically, a natural organizational reaction is to fight against the disruption of historical culture and power structure, rather than confront the challenges posed by the environment thus impeding implementation.

Agency banking is not new in the world. It has been used very well in Latin America and Asia. There are few African countries that have taken up agency banking. Agency banking was launched by Co-operative Bank of Kenya in April, 2011 dubbed as Co-op Kwa Jirani which aims at providing banking services to clients in their neighborhood throughout the country. The bank only appoints agents who have been running their business operations for more than eighteen months.

1.1.1 Concept of Strategy Implementation

Strategy formulation is the beginning of a challenging and delicate task where leaders cannot afford to be desk oriented but should be at the forefront in dealing with sensitive issues involved in the process such as resource mobilization, restructuring, culture changes, technological changes, process changes, policy and leadership changes. (Johnson and Scholes, 2002) If implementation is not effectively managed, the strategic plan may amount to being a mere white elephant and nothing more.

Strategy may be good on paper but if its implementation is poor, the strategic objective for which it was intended for will not be achieved. A well-developed strategy and executed well results in the success of the firms operations. Hence strategy should be effectively operationalized and institutionalized in the organization for effective implementation. (Johnson and Scholes, 2002) A firm develops the tactics for achieving the formulated international strategies and this is known as strategy implementation.

It is further argued that, all Multinational Companies are developing their international strategies so that they can survive in the complex business situation. Although in reality there may be separation in strategy formulation and implementation tasks, the two are highly intertwined in that planning affects implementation and in turn implementation of strategy affects changes to strategy formulation over time. However, to execute a strategy and move an organization in the chosen direction calls for a given set of managerial tasks and skills (Thompson & Strickland, 1992).

Implementation cuts across all aspects of management and must be initiated from many perspectives inside the organization as it affects the organization from top to bottom impacting on all functional and divisional areas of business. Whereas crafting a strategy is largely an entrepreneurial activity, its implementation turns out to be an internal and administrative affair. Executives must therefore lead, support, follow up and live the results of strategic planning and implementation process or else the entire process is doomed to fail.

According to Drazin and Howard (1984), strategies should be implemented as they have been envisioned if three conditions were met. First, those in the organization must understand each important detail in managements' intended strategy. Second, if the organization is to take collective action, the strategy needs to make as much sense to each member of the organization as they view the world in their own context, as it does to top management. Finally, the collective intentions must be realized with little unanticipated influence of external political, technological or market forces.

By and large, the management plays a pivotal role to satisfaction of the three preconditions to successful strategy implementation and as such commitment from top executives and senior managers is required whether implementation is happening in a department or entire organization. Koske (2003) notes that strategy implementation results when organizational resources and actions are tied to strategic priorities, the key success factors are identified and performance measures and reporting aligned. It is thus well founded to argue that, lack of proper integration of the organization resources and actions to strategic priorities results to a failed strategy.

1.1.2 Challenges of Strategy Implementation

Mintzberg and Quinn (1991) stated that ninety percent of well formulated strategies fail at implementation stages while David (1997) claimed only ten percent of good strategies were successfully implemented. Reasons advanced for these success and / or failures revolve around both macro-organizational issues (structure, technology, reward systems and decision process) and micro-organizational issues (organizational culture and

resistance to change). Macro-organizational issues are large scale, system-wide issues that affect many people within the organization. According to Galbraith and Kazanjian (1986), there are several major internal subsystems of the organization that must be coordinated in order to successfully implement a new strategy. The subsystems cited include technology, reward systems, decision processes and structure. Just like any other system, the subsystems are interrelated and causing change on one may impact the others.

Micro-organization issues pertain to behavior of individuals within an organization and the overall individuals' view of the implementation process. Organizational culture and resistance to change will affect the employees' acceptance and motivation towards implementing a new strategy. Peters and Waterman (1982) studied the role of culture to strategic management and observed that, culture of an organization evolves over time and is influenced by the values, actions and beliefs of individuals at all levels of the organization.

Thompson, Strickland and Gamble (2008) argues that, management tasks key to execution of a good strategy include building capable organization, coordination of needed resources and steering them to strategy-critical operating units, establishment of policies and procedures that facilitate excellent strategy execution, adopting best practices and pushing for continuous improvement on how value chain activities are performed.

The management is also charged with creation of supportive internal operating systems, employment of motivation practices and compensation incentives that capture

employees' commitment to the execution process. The corporate culture should be strategy supportive while the internal leadership should have capacity to drive the strategy implementation activities to high operation levels. Implementation of a strategy involves moving organizations' culture into alignment with the strategy (Thompson & Strickland, 1992). Aosa (1992) on the other hand observes that, lack of compatibility between strategy and culture results to high resistance to change and de-motivation which can in turn frustrate strategy implementation.

Formulation of new policies enables a review of standard operating procedures so as to facilitate implementation and counter any resistance tendencies by parts of organization to the new strategy. One of the first implementation steps is selection of a strong management team with the right mix of skills for the key positions (Thompson & Strickland, 1992). Furthermore, Peters and Waterman (1982) observes that it is common with well managed companies that what the manager says has significant bearing on down-the-line strategy implementation and execution in their company.

1.1.3 Agency Banking in Kenya

Agency banking is a form of banking where a retail or postal outlet is contracted by a financial institution to process client's transactions. The owner(s) of such an outlet or an employee of that outlet is the one who conducts the transaction and lets clients deposit, withdraw and transfer funds, pay their bills, inquire about an account balance etc. banking agents can be pharmacies, supermarkets, grocery stores, kiosks, post offices and many more.

Agency banking has enabled bank customers to access the basic banking services, for example, cash deposit, cash withdrawal and bank balance inquiry conveniently or what would be termed as within the comfort of their neighborhood. The convenience of access to banking services and the extended hours that the agencies work has been the most attractive features to the customer (as most agencies work between 8am up to 8pm). The rural population especially has heartily welcomed this idea due to the poor road infrastructure and high costs.

The agency banking in Kenya guidelines were enacted in May 2010. Banks must first apply to the CBK to get approval to conduct agency banking business. The board of directors of institutions interested in agency banking must make policies, guidelines and procedures to be followed to ensure the agents are credible, risk identification and mitigation measures are in place and agents must also, through the banks that sponsor them, apply to run agency banking in Kenya business.

The agency banking network approval requires the following conditions to be met, together with completing the Agency Banking Network application form; the proposed or expected number of agents in each province for the next three years, the service that the agency would provide on behalf of the bank, the draft generic agency contract, risk management and mitigation policies in place and internal controls and audits performed prior to agents engaging in agency banking policies on anti-money laundering. The application form for Agency banking is accompanied by a non-refundable fee of Ksh 5,000.

1.1.4 The Co-operative Bank of Kenya

The Co-operative Bank of Kenya Limited ('the Bank') is incorporated in Kenya under the Company's Act and is also licensed to do the business of banking under the Banking Act. The Bank was initially registered under the Co-operative Societies Act at the point of founding in 1965. This status was retained up to and until June 27th 2008 when the Bank's Special General Meeting resolved to incorporate under the Companies Act with a view to complying with the requirements for listing on the NSE. The Bank went public and was listed on December 22 2008. (<http://co-operativebank.co.ke>).

The Bank runs three subsidiary companies, namely: Kingdom Securities Limited, a stock broking firm with the bank holding a controlling 60% stake; Co-op-Trust Investment Services Limited, the fund management subsidiary wholly-owned by the bank; and Co-operative Consultancy Services (K) Limited, the corporate finance, financial advisory and capacity-building subsidiary wholly-owned by the bank.

The Banks' vision is to be the leading and dominant Kenyan bank with a strong countrywide presence, playing a central role in the co-operative movement and providing relevant and innovative financial services to our customers for the optimum benefit of all our stakeholders. The mission of the bank is to offer value-added financial services to our chosen market segments with special emphasis on the co-operative movement through a highly effective network of service points, excellent customer service and a highly motivated team of qualified personnel.

COOP is 100% privately owned by over 111,720 shareholders (as at 2009 close). The Bank has recently been licensed under the CBK to provide Agent Banking Services. The provision of Agent Banking services requires the bank to contract third parties as channels to offer COOP Bank's banking services in line with the CBK Guideline on Agent Banking. Agency banking will allow COOP Bank's customers all over Kenya to access selected financial services from the Bank's network of Agents.

1.2 Research Problem

Strategy implementation is defined as the manner in which an organization should develop, utilize and amalgamate organizational structure, control systems and culture to follow strategies that leads to competitive advantage and a better performance. Mintzberg and Quinn (1991) state that ninety percent of well formulated strategies fail at implementation stage. Hrebiniak (2005) observes that difficulties in strategy implementation often include cost overruns; inadequate allocation of resources; vague definition of strategy, power struggle within organization structure; lack of understanding of organizational structure, poor communication, poor coordination methods; unclear responsibility and accountability in the implementation process and an inability to manage change including aligning organization culture with strategy and failure to involve employees in the strategy implementation process.

In Kenya, agency banking is regulated by the Finance act, 2009 that became operational in January 2010. It's the prerogative of the CBK to approve individual agents who can be owner- operators, a partnership or a company. Currently only four out of the forty four

commercial banks in Kenya have been awarded licenses by CBK to operate agency banking. (<http://www.cbk.co.ke>) The CBK published on May 3rd 2010 the guidelines under which the agency banking model will be operated in Kenya and which are meant to minimize risk inherent in the agency banking system by providing a clear regulatory framework. This marked the launch of agency banking in Kenya, whereby banks, deposit taking microfinance institutions and mortgage finance companies could roll out their agency banking services as per the guideline on Agency Banking- (<http://www.cbk.co.ke>)

Gakenia (2008) did a study on strategy implementation in Kenya Commercial Bank. Using the 7S framework, the study found that strategy implementation process at KCB follows the basic requirement for a successful strategy implementation. The staff, strategy, structure, systems, style, skills and the shared values of the bank has been instrumental in enabling the success of strategy implementation process. The study concludes that there are three factors that have greatly influenced strategy implementation process at KCB and are namely- resources (both financial and human resources), management support and the organization structure.

Ochanda (2005) did a study on challenges of strategy implementation at Kenya Industries Limited. The study found that in the recent past, Kenya Industrial Estates has formulated and implemented two five years strategic plans being the years 1996-2001, whose strategic plan was on cost cutting, and the year's 2003- 2008 strategic plans. out of the strategy critical aspects of the organization, the organization was only able to align its structure, culture and leadership to its strategy.

Githui (2006) did a study on challenges for strategy implementation in Barclays Bank Kenya Limited. Nine challenges for implementing strategies were identified and these were the need to modernize the business, BBK efficiency, improving the quality of BBKs products and services, building a high performance organization, outperforming competition, the economic and political situation, the influence of foreign exchange rates, customers' expectations and demands from regulators. The processes of implementing strategies in BBK were found during the study to be quite effective measured by the financial performance as reported in the annual financial reports. BBK Ltd had found that the one size fiat all philosophy of the past could no longer work in sustaining a business.

Achoki (2010) did a study on strategy implementation in ministry of state for Provincial Administration and Internal Security. The study concludes that effective implementation requires adequate and sufficient resource allocation, timely communication, minimum bureaucracy and separation of political and public service. Also, Koske (2003) did a study on strategy implementation and its challenges in public corporation at Telkom Kenya Ltd. In its first four years the execution of these strategies has been average. It is evident from the results that the company has not been referring to its master plan whenever they embark on development programs. It is clear that government control and lack of funds has interfered with the company's strategy implementation scheme. Poor leadership style, limited IT capacity and poor corporate culture are the main challenges faced by the company in the process of strategy implementation.

Despite the introduction of agency banking in Kenya since the year 2010, there have been no published academic studies done so far in Kenya on strategic challenges faced by COOP in strategy implementation through agency banking. The study therefore seeks to fill this knowledge gap by answering the question; what challenges is COOP facing in implementing its strategies- agency banking as a non-funded income stream?

1.3 Research Objective

The study determined the strategic challenges and the implementation of agency banking by Cooperative Bank of Kenya.

1.4 Value of the study

The study would be significant to Co-operative Bank strategic managers and decision makers as it gave valuable insights on challenges facing strategy implementation in the company while at the same time giving possible guidelines on overcoming the challenges. It would also help the company re-evaluate whether strategy implementation had been as successful as desired and if not which phases would be revisited and improved upon.

The study would also help managers in various financial institutions and especially so those in the banking industry to internalize the subject of strategy implementation and the processes involved thus making it easier for them to manage the organizations more efficiently.

The academicians and researchers on the field of strategy implementation and its challenges would particularly find this study useful in guiding on any future related studies and as a reference work. This is especially so as it would contribute insights into agency banking as a non-funded income stream for Cooperative Bank of Kenya

The study would be significant to the Bank's strategic managers and decision makers as it would give valuable insights on challenges facing strategy implementation in the company while at the same time give possible guidelines on overcoming the challenges. It would help the company re-evaluate whether strategy implementation has been as successful as desired and if not which phases to revisit and improve upon.

The study would be useful in providing additional theoretical knowledge to existing and future financial institutions on challenges to implementing agency banking and provide information to potential and current scholars on strategic implementation in Kenya. These would expand knowledge on competitive strategy implementation in Agency banking and also identifies areas of further study where the study seconds the idea of sustainable competitive advantage. This coupled with the RBV and agency theory would provide additional knowledge as basis for superior performance for the financial industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews documented literature in Resource Based View, agency theory and the concepts, challenges and ways of dealing with issues of strategy implementation. The literature discusses in detail the resource based theory, the agency theory, the concept of strategy, the concept of strategy implementation and challenges associated with implementation of strategy.

2.2 Theoretical Foundation

There are several theories advanced for analysing industries and competitors in an industry. Without a well-defined strategy, organisations will be driven by current operational issues rather than a planned future vision. Through the usage of the resource based theory and Agency theory, the policy makers will be able to develop strategies that lead to competitive advantage and superior performance.

2.1.1 Resource Based Theory

In the recent years, strategic management researchers are increasingly focusing on internal resources and capabilities possessed by organizations as the basis for developing strategies that lead to competitive advantage and superior performance. This is built upon the resources based theory of the firm which viewed organizations as bundles of

productive resources that are tangible and intangible and capabilities which they could use to generate competitive advantage and superior performance (Penrose, 1959). Building on these concepts, strategic management researchers have developed the RBV model which focuses on internal resources possessed by organizations as building blocks for value creating strategies that generate competitive advantage and above average performance. RBV holds the view that heterogeneity in the level of either tangible or intangible resources across organizations will result in different levels of performance because some firms possess superior resources than their rivals in the same industry.

RBV theory views organizations as bundles of resources and capabilities of different combinations that can be exploited to gain competitive advantage and higher than average performance (Grant 2002). Each organization exercises control over its own resources and that valuable resources cannot easily be moved across organizations. As such the few organizations possessing such resources may enjoy competitive advantage over their rivals for a considerably long period if such differences persist. This implies that every organization integrates and utilizes its internal resources and capabilities in different ways from competitors in the same industry in order to take advantage of their potential to achieve competitive advantage and superior performance.

Many scholars have emphasized effective use of selected strategically relevant resources as the basis of superior performance (Grant, 2002) has argued that advantage creating resources are those that are valuable to customers by exploiting opportunities pursued and neutralizing weaknesses and threats, rare and difficult to access by rival organization. To

some researchers, mere possession of superior resources does not guarantee attainment of superior performance, what matters is how the resources are integrated and utilized (Johnson et al, 2002). Where organization in the same industry have resources but differing performance levels, the reason could be that they vary in the extent to which they utilize their resources. Since some organizations may possess similar resources, it is the capabilities that enable them to optimize the usage of these resources to generate more value that translate into superior performance.

Proponents of the resource based view strongly believe that internal resources possessed by organizations could be the key to successful strategies that generate competitive advantage and superior performance (Pearce and Robinson, 2010). Others have argued that organizations should select strategies that enable them best exploit their resource strengths relative to opportunities in the external environment (Prahalad and Hamel, 1995).

Proponents have added that being strategic means creating a chasm between ambition and resources, since an organization with relatively small amount of resources but with big ambitions can produce greater output for its smaller inputs through effective management (Grant, 2002). On this basis, organizations with meager resources can optimize their use and achieve value added outcome through a good fit between available resources and strategic objectives. Most researchers have recognized the role of firm based tangible and intangible resources as sources of competitive advantage and superior performance in organizations.

2.1.2 Agency Theory

Agency theory is part of the positivist group of theories which derives from the financial economics literature. It posits that the firm consists of a contract between the owners of economic resources – the principles and managers- the agents who are charged with using and controlling those resources. The theory of agency was first explicitly modeled by Jensen and Meckling (1976) in their study of the structure of the firm.

Agency theory also assumes that principals and agents act rationally and that they will use the contracting process to maximize their wealth. This means that because agents have self-seeking motives they are likely to take the opportunity to act against the interest of the firm, for example by partaking in high levels of perquisite consumption (Brigham and Gapenski, 1993). Furthermore, agency theory is based on the premise that agents have more information than principals and that this information asymmetry adversely affects the principal's ability to monitor effectively whether their interests are being properly served by agents.

Agency theory addresses all exchanges involving Cooperative effort and delegation of work and decision making by one part- the principal to another- the agent. Jensen and Meckling (1976) describe an agency relationship as a contract (implicit or explicit) in which one or more persons, the principal(s) , engage another person, the agent(s) to take action on behalf of the principal(s) which involves the delegation of some decision making authority to the agent.

Agency theory is taken as unquestionable that an uninformed principal can benefit from this delegation to an informed agent and that it is in fact optimal for an uninformed principal to do so given their lack of skills, information, qualifications, knowledge and experience (Bendor, et al.. 2001). The notion of agency is widely used in economics, philosophy, legal and social sciences, albeit with different but comparable meaning (Eck and Wieringa, 2001).

In law, agency is the relationship between two legal bodies where one legal body, the agent, acts on behalf of the other (the Principal) and represents the other legal body towards third parties (Eck and Wieringa 2001). In e-business, there is a similar relationship between organizations and their information systems that represent them at a digital market place; these information systems act on behalf of the organizations that deploy them. These agents are autonomous actors in an economic or legal sense. Motivations for actions may vary with a common guide found in “self-interest” however defined (Jenses and Meckling, 1976).

Human agents autonomously choose to engage in agency relations with principals presumable because doing so promotes or does not conflict with their own interest (Eck and Wierenga, 2001). By engaging in an agency relationship, however, an agent is bound to moral and legal rights that protect the interest of the principal through a legally enforceable contract entered into by both the principal and the agent.

2.3 Concept of Strategy

Strategy means different things to different people. Strategy like any other concepts in the field of management does not have an all-embracing definition as strategy is an elusive and somewhat abstract concept. (Ansoff, 1990) This must be expected when dealing with an area that is constantly developing. Ansoff (1990) sees strategy as basically a set of decision making rules for guidance of organizational behavior. He distinguishes four such rules as involving yardsticks for performance measurement, rules for developing the firm's relationship with external environment, rules for establishing the internal processes within the organization and the rules for conducting day to day activities or simply put, policy. Strategy is about winning. It provides unity of purpose and direction to organization.

Strategy can also act as a vehicle of communication and coordination within the organization (Grant, 2000). Johnson and Scholes (2002) define strategy as the direction and scope of an organization over the long term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. Strategies need to be well derived since it determines the overall direction of the organization and also the level of performance.

Thompson Jr, Strickland III and Gamble (2007) considered a company's strategy is all about 'how'- how management intends to grow the business, how it will build a loyal customer base and outcompetes rivals, how each functional piece of the business will be

operated and how performance will be boosted. There is an emphasis that a strategy stands a better chance to succeed when it is predicted on actions, business approaches and competitive moves aimed at appealing to customers in ways that set a company apart from rivals and carving out its niche. By simply copying what past and present successful companies are doing and trying to mimic their position rarely, if at all, works.

However, Mintzberg (1985) advocated the idea that strategies are not always the outcome of rational planning in that they can emerge from what an organization does without any formal plans, hence the Deliberate and Emergent strategies. He defined strategy as a pattern in a stream of decisions and actions. Chandler (1962) defined strategy as the basic long term goals and objectives of an enterprise and the adoption of the courses of action and allocation of necessary resources for carrying out the goals.

According to Grant (2000) strategy is viewed as a vehicle for achieving three key managerial purposes: strategy as decision support, as a vehicle for coordination and communication and strategy as a target. As a decision support, strategy establishes a set of guidelines and criteria of how individual decisions will be made. Strategy as a vehicle for coordination and communication helps achieve consistency in decision over time and across departments and individuals with the organization. A key vehicle of communicating strategy is the mission statement which is a summary of the organization strategy and purpose.

The concept of strategy is very important to the management of institutions as it allows an organization to make best use of its resources and opportunities in achieving its objectives Grant (2000). It provides a basis for focus at all levels of the organization and covers the range and depth of an organization's activities involving: decisions about products and services, competition and markets, growth, and change in organizations. Strategy directs the evolving relationship between an organization and its environment and should enable the organization to find a strategic fit with its external environment.

Without a strategy, the organization is like a ship without a rudder (Ross and Kami, 1973). In choosing a strategy, management is in effect saying, "Among all the many different business approaches and ways of competing we could have chosen, we have decided to employ this particular combination of competitive and operating approaches in among the company in the intended direction, strengthening its market position and competitiveness and boosting performance. "

2.4 Strategy Implementation

Strategy implementation is the next logical step after strategy formulation. It implies translation of the chosen strategy into action. Strategy implementation requires a good strategic architecture of the organization and should therefore take into account how various parts of the organization work together in a manner that optimizes resource allocation (Johnson and Scholes,2002). Although strategy implementation is seen as an integral part of strategic management process, little has been written or researched on implementation challenges (Awino, 2007)

Thompson Jr. and Strickland (1992) defined strategy implementation as fundamentally an administrative activity which enlists- organizing, budgeting, motivating culture- building, supervising and leading as activities that ‘make it happen’ to achieve intended strategic and financial outcomes. Strategy implementation varies substantially among different types and sizes of organizations however, primarily it manages resources needed during the implementation process; it focuses on efficiency and is chiefly an operational process requiring special motivation and leadership skills and co-ordination among many individuals.

Thompson Jr. et al (1992) argues that most discussions of strategic planning dwell on how to formulate strategy but pay scant attention on strategy implementation, yet problems with failed strategies are traceable to poor implementation. Thompson further argues that having clear strategies is essential, having brilliant strategies is terrific, but only if those strategies are brilliantly implemented will they lead to lasting competitive advantage.

People underestimate the commitment, time, emotion and energy needed to overcome inertia in their organizations to implement their strategies. This lapse creates an implementation gap between stated strategic goals and the realized goals which results in poor strategy implementation hence strategy failure (Abiero, 2010). Alexander (1991) attributes this lapse to limited availability of conceptual models on strategy implementation as the people who are supposed to implement are unsure of where the

process begins, ends and what it entails. Successful strategy formulation does not guarantee successful strategy implementation. Strategy implementation is perceived as less glamorous than strategy formulation and implementation is commonly overlooked under the guise that anyone can do it.

Strategy implementation is easily the most complicated and time consuming part of strategic management (Hrebiniak, 2005). Strategy implementation although linked to strategy formulation is fundamentally different. Implementation of strategy does not automatically follow strategy formulation; if not managed well can invalidate the planning efforts (Ansoff and McDonnell, 1990)

For successful strategy implementation, an organization should understand the impact of strategy on external environment, internal resources and competencies, and expectations and influence of stakeholders (Johnson and Scholes, 2002). The organization exists in the context of a complex commercial, political, economic, social, technological environmental and legal world. This environment is not static and keeps changing and more dynamic than others (Thompson et al, 1992). For successful strategy implementation, it is important for the company to understand historical and environmental variables in which it operates. (Johnson and Scholes, 2002)

The corporate culture which consists of common values, attitudes and beliefs that members share needs to be compatible with the strategy being implemented. When culture influences actions of employees to support current strategy, implementation is

strengthened. More often than not the organization culture is not compatible with the strategy because of mistrust and suspicion making implementation difficult. Organization leadership and management role is to align the organization culture with strategy. (Pearce and Robinson, 2010)

Strategy consists of the common threads of thought for facing risks and uncertainty, seizing the opportunities presented by the environment and using the distinctive competencies of the resources of the organization (Massie, 1987). To meet the challenges of modern society more and more organizations are concentrating on formal approaches and concepts of planning their long range process, these challenges result from the increasing rate of changes, the complexity of managers' jobs, the increasing importance of fitting the organization into its external environment and the increasing lag between the preparation of the plans and their implementation in the future.

The leadership should provide a vision, initiative, motivation and inspiration in steering the organization to undertake changes required in strategy implementation. (Massie, 1987) The chief executive should cultivate team spirit and act as a catalyst in the whole strategy implementation process. The other managers need to team up with the Chief Executive Officer in implementing the strategy. Their motivation and commitment to the strategy greatly enhances successful implementation. Implementation of strategy may require leadership changes through transfers, retirements, demotions.

2.5 Challenges of Strategy Implementation

The most common contemporary impediment to strategy implementation is the traditional functional mindset (Pearce and Robinson, 1997; Johnson & Scholes 2002) various reasons have been advanced to explain this phenomenon. Structure and staffing can overcome a traditional functional mindset (Johnson & Scholes, 2002). In addition, system thinking is essential to overcome this as strategy implementation is inextricably connected with organizational change. All organizations resist change and try to maintain the status quo, sometime even if it yields unsatisfactory results (Pearce & Robinson, 2002) without strategic motivation, without the organizations enthusiastic involvement and participation of inspired employees, it is impossible to implement any strategic plan.

Without resources, the implementation of strategy is almost impossible (Johnson & Scholes 2002) .There is a general consensus as to the definition of resources as all those inputs that will enable a company to discharge its mandate or duty in producing a good or render a service. This can include among other things, raw material, human capital, power and energy and the availability of facilities in the factory buildings. The resources in a company can be divided into two: external and internal inputs. External inputs emanate from the environment of the firm.

These external resources include raw material, power and energy, manpower and small accessories. Internal inputs include internal installed capacity, structures, facilities, infrastructure, capability of employees, industrial relations and corporate culture. Thompson et al (2001) have emphasized marshaling sufficient resources and people

behind the drive for strategy execution. All managers have strategy executing responsibility in their areas of authority and all employees are participants in the strategy implementation process. Early in the process of implementing and executing a new or different strategy, managers need to determine what resources will be needed and then consider whether the current budgets organizational units are suitable.

In addition, a company's ability to marshal the resources needed to support new strategic initiatives and steer them to appropriate organizational units has a major impact on the strategy implementation process. (Johnson & Scholes 2002) Too little funding (stemming either from constrained financial resources or from sluggish management action to adequately increase the budget of the strategy critical organizational units) slows down progress and impedes the efforts of the organizational units to execute their pieces of the strategic plan proficiently. Too much fund wastes organization resources and reduces financial performance.

According to Hrebiniak (2005), the real challenge of strategy implementation lies in the formulation and effective communication of vision, mission and values; commitment to projects and business results that will fulfill on the mission and the design of organizational architect that allows for empowerment and communication. The strategy literature identifies formulation as the ends (objectives and goals) and implementation as the means (action plans and allocation of resources of the strategy).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology which was used in the study. The research design is discussed followed by the data collection method and tools as well as data analysis technique which was used in the study. It was necessary to adopt a methodology that would entail an in-depth study into what challenges COOP underwent in order to implement agency banking.

3.2 Research Design

The study employed a case study design. This design was employed as the objective of the study required an in- depth understanding of the process of strategy implementation and challenges of agency banking at COOP. A case study is an in-depth investigation of an individual, group, institution or phenomenon (Mugenda, 1999).

A case study can be used to answer the ‘how and why’ and also not require control of events. A case study is a very powerful form of qualitative analysis that drills down rather than cast wide (Kothari, 1990)

3.3 Data Collection

The study emphasized on primary data. The primary data was collected using interview guide. The interviews were carried out using a structured interview (questionnaire) to

guide the question order and the specific way the questions would be asked. This study was mainly concerned with the challenges that COOP bank faced in implementation of agency banking as a growth strategy. The information was collected from a one on one discussion with the management team.

The target population was Co-operative Bank of Kenya employees and the targeted respondents were Head -Agency banking and the five (5) regional agency banking managers and ten (10) agency banking officers in different branches of Co-operative Bank of Kenya. This is because they played a pivotal role in implementing the agency banking expansion program and the challenges they face daily in their line of work were of significance to this study.

3.4 Data Analysis

The data was analyzed using content analysis to come up with conclusions and recommendations. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study.

This normally involves observation and detailed description of objects, items or things that comprise the object of study. According to Cooper and Schindler (2003) content analysis measures the semantic content or ‘what’ aspect of a message.

CHAPTER FOUR

DATA ANALYSIS, AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter outlines the analysis of data obtained and the findings of the study. This study was guided by the objective of the study which was to establish strategic challenges facing the implementation of agency banking in COOP. The data collected through interviews were summarized and analyzed using content analysis as presented in this chapter.

The interviewer managed to carry out all scheduled interviews. Data was analyzed as they appear in the interview guide for clear interpretation and understanding of the results. The content of the data was examined critically to help in drawing conclusions.

4.2 Challenges of Strategy Implementation

From the in depth studies carried out, several key challenges are picked as a threat to implementing agency banking at Coop bank. This study elaborated on these challenges and the roles that each of them played during agency banking implementation in lieu of several external factors such as the operating environment, the demand of the banks internal customers and its employees and stakeholders expectation.

Stiff competition by not only local but also international banks, micro finance institutions and mobile phone companies which introduced mobile money has also lent a hand in strategy formulation. The introduction of telecoms' mobile money came as a double

edged sword in regards to implementing agency banking as an expansion strategy. The in depth interview revealed that the informed customer of today has a product diversity requirement that needs frequent developing. The informed customer is dynamic and not risk averse whilst the bank as a financial institution heavily depends on history of performance. As much and as fast as technology is dynamic, the informed customer is too dynamic and what would have taken weeks or months to achieve in recent months is achieved in a matter of hours. A dynamic customer requires very dynamic strategies that are sometimes overtaken by events even before they are implemented.

Telecommunication companies or mobile service providers were the first to embrace the technology of transferring money via the use of mobile phones. At that time, this was seen as an excellent strategy of winning the 32% of Kenya's bankable population that is outside the orbit of financial services. They would embrace the technology faster as it came as a sure way of sending and receiving money without the hassle of lining up in a busy banking hall. The sector was not regulated then and was seen as a way of limiting the banks towards expanding in this sector. However, agency banking heavily depends on the use of mobile phones in accessing, sending and receiving money to and from clients' bank accounts. This has eased implementing of agency banking.

Government regulations are sometimes a major hindrance to strategy implementation. It is the government through Central Bank that regulates the banks agents and determines the minimum criteria that one requires in order to be approved to conduct agency banking. Some of these regulations hinder a certain number of personnel that would have

qualified to conduct the agency business. It was found out that some of these regulations dictate the license fee charged by the Central Bank of Kenya and an additional fee for the municipal or county license. A number of potential agent bankers thus view this as additional overheads that are expensive to maintain each year.

Staff turnover especially in agency banking is a factor that was also highlighted in the interview. As a new strategy for local banks, staffs that hold this experience have suddenly become marketable with other banks as no bank wants to be left behind or left out in implementing agency banking. The other banks hence entice these staff with lucrative offers that increase staff turnovers hence hindering the smooth implementation of the strategy. This has affected all calibers of staff some of whom were used at the strategy formulation stage that saw the development of agency banking as an expansion strategy. The biggest draw back in staff turnover is that it reduces the momentum of implementation as new staffs take time to be trained and to start performing in the new roles. This also brings in the issue of lack of continuity.

Technological advances have presented challenges also to strategy implementation. Coop bank had to invest in a good system that would support the interface between mobile phone services and bank account information. This interface would necessitate the almost perfect running of agency banking through mobile phones. This presented a two faced challenge: one was to depend on another organization for the implementation of the bank's strategy and other was to find if actually that type of system was in existence and how much it would expose the bank and its clients to risk. The question was which

service provider to choose from or would the system cut across all the service providers? And as the implementation would involve another organization, how would the payment to the other organization be sustained? It became clear that involvement of any other organization would present a challenge as their interest would be chatted out in a way Coop bank would not have any control and would not have any advance knowledge at the time of formulation but would become evident only after implementation.

The pressing social needs of the economy made Coop bank to form a department to address these social needs. The corporate affairs division deals with issues of sponsorships, environmental care, medical camps and general public wellness. This stems from a corporate responsibility platform that demands an organization give back to the community from where it operates. However, a number of competitors have taken this as a platform to show off might to dictate that levels of profits should commensurate with corporate social responsibility. The drawback is that money meant for strategy implementation may suffer as a result of the organization giving more to the CSR than it should retain.

The use of banking agents to accept deposits and withdrawals into customers' accounts brought an integrity challenge. The interview depicted the issue of acceptability of the chosen agents bearing in mind that they shall be working in a community where their integrity is known. For instance, if the agent passed all the vetting process yet the community does not want to do financial business through him as he is known for letting clients' information out, what would the bank do? The challenge posed the issue of

vetting that the interview guide depicted. At the end of the day, the perception for the agent will be seen as the perception the customers have of the bank. This would have had minimal challenge in implementation as an alternative agent would be sought but would have been a big challenge in a favorable market that is controlled by a monopoly yet it is the monopoly depicting such a character. Here the monopoly meant that he controls all the business in a particular area namely owning a shop, butchery, pharmacy, local phone shop.

Price wars have not escaped the financial realm and have hindered the implementation of strategy. By analyzing the product range in Agency Banking in the different banks that have embraced it, it was depicted from the interview that implementation of agency banking was delayed due to the pricing structure that have been accepted by the target group and still be profitable as to earn revenue for the bank. The drawback was what would happen if competition came with the same product but priced slightly lower.

System acceptance was depicted as a major challenge to agency banking implementation. This was widely viewed as bringing in a huge change to the traditional method of banking where for any withdrawal, the customers image would be seen by the teller, his identity and other security credentials viewed before the cash is released to him. The new system was bringing in a form of cash withdrawal where the customers image was not going to be paramount, his signature would not be an identifier but a confirmation; a system where one's mobile phone number would become almost synonymous to his personal identity.

The interview depicted that staff perception of agency banking was also a challenge in implementation. Although there had been initial training and education on agency banking and the benefits it would bring, some staffs were still divided over what they thought was the overall objective of agency banking. Some saw it as a tool of rationalization; others saw it as a strategy to close non performing branches, while others thought it was a method to declare some jobs redundant. Such mindsets posed a challenge to implementation as; if the people counted on to bring the implementation to succeed would reason as that, what support the strategy would receive once implemented. Would agency banking growth be supported or would it always be looked at with suspicion?

The staff to be employed in agency banking presented a challenge in itself. There was the question of hiring from within through internal job advertisements or from outside using media advertisement. As agency banking was considered a new phenomenon in the country, it was assumed that experienced staff would not be easily found and training was going to be paramount. Developing the job profiles for the staff and what was going to be their daily, weekly, monthly and annual requirements had to be discussed and the same evaluated to the positions regarded as fitting. The challenge of whether the job grading for the preferred candidates would be acceptable to them would also be discussed. As in many other bank job profiles, they are developed in such a way that a certain criteria or threshold can be attained for a job to be profiled.

The budget to be used to implement the strategy was viewed as a challenge. The bank was coming from a phase where it had spent a handsome amount in overhauling and

implementing a new IT operating system and the same was not of the woods yet. The same system had cost the bank a substantial amount and the engineers implementing it had not fully handed its operations over. Going to face the board of management with another budget was going to be a rather tall order. This ensured that the budget to be proposed would have to be lean but also workable. It would include all the necessary requisites to pull the strategy from the boardroom to the streets while at the same time giving an allowance for adjustments.

The issue of physical resources to be used in the implementation presented another challenge. This was because the strategy required the use of handsets, POS terminals or computers whichever of this would be suitable. The challenge came about as either to purchase them for the agent bankers or let them acquire their own sets. If the same had to acquire their own sets, would they be compatible with the system or would modifications be required? The issue of affordability of the POS terminals at all agent outlets was seen as a budgetary issue that would be tackled through two main arenas: to lease the machines at a premium as it still belonged to the bank or let agents who could afford the same, purchase for themselves. The interview also depicted the issue of merchant outlets. These were outlets that were doing business and already had the machines installed at their premises and would only require a systems upgrade in order to carry out the agency transactions.

The structure would have to be changed to accommodate the new strategy. It was found out from the interview that the then structure would have to be changed to accommodate

agency banking. The issue of reporting lines to the new personnel, and where the team to spearhead the implementation would sit had to be discussed. There was the discussion that the same would need to be a whole new division with a divisional director an argument that would most likely see the light of day. Agency banking was then placed under the divisional director of special projects but it was required to run closely with the retail division as the projections were that agency banking needed a bigger support that could only be attained by being together with the retail division.

The importance of communication was underscored as a major requirement of the successful implementation. Communication was to be frequent, timely and calculated. It was seen from secondary data that emails, circulars and presentations were done through all the regions to prepare staff for implementation. In such communication, the management always aired the benefits that would be attained when the strategy would be implemented. The challenge that faced the issue of communication was: how would communication be received and how much of it would be deemed enough. The channels of communication was also considered as it became clear from the interview that the management had a feeling that not all staff gave the required interest in the circulars or emails sent. If the circular would be a tool to be used, they would also require the support of other methods of communication. Communicating the right message at the right timing to the right people proved to be a challenge.

External communication was also viewed as a challenge. The right information was required to reach the customer. This would be the basis through which the customer

would build a basis for trusting the agents. Communication via the media both audio and visual would stamp the ability of the agents to perform the function on behalf of the bank. To stamp this, the agents would also form a channel for external communication. The customers they would serve would also pass the same information of how the service was to another person who would then want to try the service. It would then be a big challenge if what was being advertised as being offered would be different from the experience that the customer would receive once at the agents' outlet.

The in depth interview also revealed a greater challenge in its operations; the issue of frauds and money laundering. CBK was more concerned about this issue as internationally the threat of terrorism was very real. It was easy that a person suspected of having engaged in such criminal activities would have his identity shared in the system of the banks and the staff would then be on a look out for such individuals. Though an agent outlet, the same would not be possible as only a limited amount of information would be let out.

Before the strategy was to be implemented, it was found necessary that an agents' handbook be developed. The international anti money laundering policies issued after the September 2011 have been more responsible in ensuring that countries and more so financial institutions follow a particular system, rules and procedures when dealing with international money. Coop bank being an international bank would also comply with the same to ensure its continuous existence.

The geographical adaptability of the Kenyan population and their diversity in socio-cultural issues presented another challenge. The interview revealed that in certain parts of Kenya, the level of trust among the customer and the service provider. For instance the shopkeeper, the barber, the hotelier is very high to the point that some information deemed secret would openly be shared. An example would be a little boy being sent to the mpesa with a small sheet of paper on which the withdrawers pin number, national ID number and amount to be withdrawn is indicated. The attendant would use the information to withdraw cash and issue it to the boy who had been sent by the parent. The challenge that this presented to agency banking implementation would be of the integrity of the attendant. With this information, it would be easy for such an attendant to defraud the customer.

4.3 Discussion

All organizations must continually be geared towards improving and services in order to ensure survival (Johnson and Scholes, 2002). This is because the current consumer is dynamic and he at all times requires doing things differently with improved efficiency. Products that are geared towards this demographic segment must therefore entail these needs in order to look relevant to them as they are making the next big purchasing decisions. The study shows that COOP is targeting the agency banking segment of this population by the introduction of this service. Through agency banking, COOP is making use of modern technology to reach this market segment as much as it appreciates reaching its entire network of clients.

This study supports the argument that the ability to build and manage effective teams is an important part of implementing strategies. While implementing agency banking, COOP was undergoing a major restructuring process that allowed a good structure to be put in place to facilitate agency banking implementation. The structure of agency banking changed also from being headed by a director to a divisional head. This change was necessitated by a need to identify a suitable working system that would propel the strategy to achieve its objective.

Leadership has always been associated with success or failure of a strategy. The top leadership always takes the credit of a successful strategy or responsibility of the same. Leadership entails making decisions from among options and mobilizing others to get the job done. When the organization feels the leaders support in a project, the same will be embraced with open hands but the absence so leadership throws the strategy into chaos and ambiguity. This is because the vision is carried by the leadership and it's their role and responsibility of communicating the vision to the organization.

Thus the findings of this study agrees with the views articulated by Gakenia (2008) that personnel , management support and the organizational structure greatly supports and influences strategy implementation at KCB. Also, Ochonda's study on challenges of strategy implementation at Kenya Industrial Estate (2005) also echoes the same tone in that structure, culture and most importantly leadership lends a helping hand to strategy implementation.

The leadership in COOP took up the role of communication to the staff in a way that the staff had a feeling of ownership of the strategy. They were built as a team with the aim of success in achieving the organizations objective. The findings of this study do agree with that of Achoki (2010) in his study of challenges to implementation of strategy in ministry of state for Provincial Administration and Internal Security that states that for effective implementation of a strategy sufficient resource allocation, timely communication should be adhered to. Communications at Co-operative Bank was found to be very timely for dispensing much needed information.

The results of these findings are similar to Gakenia (2008) who established that factors that greatly influenced strategy implementation at KCB are namely resources, management support and the organization structure. Githui (2006) further found that BBK was able to implement strategy after aligning its structure, culture and leadership to its structure and also improving their products and services. The findings of this study agrees that for agency banking to be implemented successfully, top management should be involved from the start and also make lower management feel as though they ‘own’ the process.

The results of this study however differs from those of other studies like Koske (2003) which clearly stipulated that government control and lack of funds had interfered with the company’s implementation strategy. Co-operative Bank however is not controlled by the Government and also has no issues with lack of funds to derail her ambitious growth strategy through agency banking.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings of the study, summary, conclusion and recommendations. The chapter concludes with the limitations of the study and suggestions for further studies.

5.2 Summary

The objective of the study was to establish the challenges of strategy implementation of agency banking in COOP. The results were analyzed and presented in order of the objective. The findings showed that challenges faced were both from the external and internal environment. The identification of these challenges was paramount so that methods to mitigate or to minimize them would be overcome.

From the discussion it is noted that the external challenges to implementation included political factors which dictated the political environment of doing business, government policies issued through the CBK that dictated the requirements of the prospects who could be allowed to do the agent banking business, the use of other companies networks which the bank has no power or control over and other factors such as the competitive market. These were identified to be unfriendly to implementation as they dictated certain regulations that brought limitations to how much the expansion could be attained.

Some regulations discouraged potential agents e.g. the licensing regulations required payment upfront and these reduced the pace of implementation as agents did not have the cash at hand to pay. The findings indicate that the competitive environment was a challenge to the implementation as it encourages a high staff turnover. Agency banking was new to the Kenyan market and therefore staff movement from COOP to other financial organization was common and slowed down implementation. The result was that more staff needed to be trained to mitigate such common occurrences.

The internal challenges to the implementation include behavioral resistance to change from the common normal of slackness in a sector to the dynamic culture that is expected of companies operating in a competitive environment. There were challenges in communication and how the information was received. The study depicts a misunderstanding of the communication as portrayed by those receiving it. There were inadequacies in human resource capital as all staff needed training yet the time span provided was not sufficient. Physical resources were limited due to the use of new technology and financial resources were strained as the initial budgets had not included agency banking.

The findings of the study indicate that strategy implementation is not easy and many factors have to be in place for a smooth implementation. The study showed that the strategy implementation came with some structural changes. This did help to accommodate the new strategy in a way that it faced minimum resistance. This was the case when a unit was created to undertake the implementation and success of the new

strategy. It was noted that there was some resistance from personnel which may have been due to the organizational culture or the fear of the unknown. To overcome this leadership took an active role in spearheading the change and gave constant communication so that the staff were well aware of the benefits that the strategy would bring into the organization.

5.3 Conclusion

The key findings of this study were that COOP faced challenges in implementing agency banking which included the government regulations through the CBK. Competitors were playing a different ball game by head hunting employees or pricing their products affordably and coming up with systems that are easier to manipulate, the systems itself which brought the challenge of introducing it to the people. Training and then ensuring that it was up all the time in order for it to be appreciated and recruiting and structuring the staff in order to appreciate the required benefits of implementation.

These findings support the argument that key factors such as structure, processes and organizational culture need to change in order for strategy implementation to take place successfully. It also supports the argument that key benefits of a strategic decision can only be seen when strategy is implemented. It is also paramount for staff since personnel play a key role in strategy formulation and implementation and the aspect of their morale or ownership of the project should be also considered in the planning stage.

Monetary increment or compensation may act as motivators for performance which is also key in that it adds to the support that staffs give to their organization. The aspect of including employees in key decisions or in the planning stage of a strategy helps the organization stifle challenges that would otherwise be eminent from resistance.

The study also depicted that during a period of a strategy implementation certain forces work towards hindering implementation. This is due to new synergies created while others fall away. This definitely raises the issue of uncertainty on the staff as they become anxious and also unwilling to participate fully in the firms operations until their fate is known. Good and timely communication helps to mitigate this as a tool of the organization not performing to the correct standards.

COOP has faced challenges in the implementation of agency banking as an expansion strategy for the bank. These challenges as discussed elsewhere were both internal and external to the financial organization thereby limiting the control within which the bank would have during implementation. It's key to state that although the challenges were many and the implementation took a reasonable length of time, effort and budgetary measures, COOP has seen this as a learning process.

5.4 Recommendations

COOP stands to gain a lot from the implementation of Agency Banking. The bank is going to see its customers reduce the time spent queuing in the banking halls for services that can be offered by its agents. This will in turn free a number of bank staff to

concentrate on other key activities of the bank such as sale support and customer visits which improves customer service and relationship management. Coop also needs to develop policy that will help train its agents to treat its clients with the acceptable standard of the bank and also come with methods that help audit the service quality its agents.

There will also be a remarkable reduction of the operational costs to the banks benefit. With the implementation of agency banking, the bank will have no need to put up branches in buildings that attract rent, additional staff or other operational costs. This will improve the banks' balance sheet and thereby its value of share which will benefit the shareholders. Agency banking can help for the bank to have a good footprint in areas that are seen to be uneconomical in putting up branches. By establishing geographical boundaries and the maximum number of agents that can operate in a particular place, the bank will not only provide motivation to its agents but also regulate the business in a way that is acceptable to the public without the normal abrasive relationship amongst competitors.

The governments' vision 2030 has been a catalyst to the inception and acceptance of agency banking. It is clear that the agents conducting business on behalf of the bank will have to handle money that is owned by the public, they will come into knowledge of the public's documents and banks accounts. This information is regulated and policies put in place on how these operations are conducted. Many other commercial banks and institutions will want to join in the agency banking business. Regulations should be put in

place by the GOK through the CBK to regulate entry into agency banking. Without this, many banks entering into the Kenyan market will not see the need to put up buildings but will operate through agents and the liquidation of such is simple. The economy may suffer from such an influx of banks whose setting up does not require such a large capital infrastructure. This study recommends that strict adherence to banking regulations to be the basis for allowing agency banking within Kenya.

Telecommunication firms that deal with mobile Money in Kenya for instance, Safaricom, Airtel, Orange, Yu, also need to be regulated through the CBK when this product is considered. This is because strict adherence to regulations are seen as punitive by some as prescribed by the CBK which the Mobile phone service providers an easier operating found in comparison with the banks yet the principle in operating the two products are the same. There is need to develop regulations and policies for any organization that wants to enter into the mobile money market and the same should be adhered to in order to have uniformity in the sector.

This study recommends that strategies such as these that improve the level of technology, create employment, expand services to the remote areas and also improve the levels of education should be given tax exemptions or rebates for a number of years till the same is implemented and takes root. As the government gives tax holidays to international companies that set operations in the country the same should be used to encourage local companies that show support to government strategies in support of developmental goals.

5.5 Limitations of the Study

The approach to this study was a case study and therefore cannot be used for generalization. The study depicts the use of interviews which may have been prone to bias. The respondents could not give information that was considered confidential to the organization and the same cannot be used in these findings. The face to face interactions with the respondents was also limited and defined within the timelines when the respondents had appointments.

The findings of this study are also limited to COOP bank as a financial organization. The factors that were in operation at the time of the study would be different for any other organization at a similar or different time. This negates the possibility of any generalizations for any other organization undertaking a similar strategy and therefore puts limits on the findings to COOP.

5.6 Suggestions for Further Studies

There is a need to undertake further studies on the challenges to strategy implementation in the banking sector. This will require an understanding of the challenges as a way to help reach the population that does not use banking services due to the lack of buildings for housing financial institutions. It would be important to study agency banking in other financial institutions as this will provide a more in-depth analysis of agency banking as a strategy that can increase non-funded income and expansion.

Many organizations are currently looking for expansion strategies and this study can act a catalyst to give leads in areas of interest. More studies in this area will reveal new methodology of reaching the goals of different organizations or in coming with better ways to attain the profits for organizations. A cross sectional study should be undertaken to allow for comparison between organizations and what challenges are faced in strategy implementation. To understand variables and how they relate, a longitudinal study needs to be undertaken to help in data collection over the implementation period. This will help in understanding how each variable affected not only the process and time of implementation but also how important that variable was in relation to the others.

Organizations management should put more effort in identifying and adopting best practices as a powerful tool for improving service delivery and better strategy implementation. Managers can significantly push for competent strategy implementation by supporting functional departments.

5.7 Implications on Policy, Theory and Practice

The findings of this study will provide useful information for decision making to the various stakeholders in policy, theory and practice. The findings will help the management of COOP in reviewing the strategies adopted in the implementation of its competitive strategies. This will help them in reviewing misaligned strategies and improving those that are in order. The CBK will find the study useful in guiding formulations and review of policies in the agency banking industry.

The study will be useful in providing additional knowledge to existing and future financial institutions on challenges to implementing agency banking and provide information to potential and current scholars on strategic implementation in Kenya. These will expand knowledge on competitive strategy implementation in Agency banking and also identify areas of further study where the study seconds the idea of sustainable competitive advantage.

The term emerged in 1985, when Porter discussed the basic types of competitive strategies firms' possess (low-cost and differentiation) to achieve sustainable competitive advantage. Sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by current or potential competitors' along with the inability to duplicate the benefit of this strategy.

The study findings also supports Ansoff Product- Market growth matrix as a marketing tool. The matrix allows managers to consider various ways to grow the business via existing and/or new products, in existing and/or new markets- there are four possible product / market combinations. This matrix helps company decide what course of action should be taken given current performance. They are called generic strategies because they are not firm or industry dependent. They apply across all industries.

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APPENDICES

APPENDIX I: INTERVIEW GUIDE

This interview guide has been designed to collect data from interviewees on the theme “Strategic implementation challenges of agency banking in co-operative Bank of Kenya.” and the remedial steps taken to address the challenges. Data collected is exclusively for academic purposes only.

SECTION 1: BACKGROUND RESPONDENT

1. How many years have you been with co-operative Bank as a staff
 - a) Less than a year ()
 - b) One year and above but less than 3 years ()
 - c) 3 years and above ()

2. Job title of the respondent.....

3. How many years have you been in that position
 - a) Less than a year ()
 - b) One year and above but less than 3 years ()
 - c) 3 years and above ()

4. What is your position in co-operative Bank? Circle one letter

- a. Top management level

- b. Middle management level

- c. Supervisory level

SECTION II: AGENCY BANKING IMPLEMENTATION CHALLENGES

1. Is the organization strategy clear and concise? If no, suggest ways to improve the way to carry it out.

2. What approach can you describe the organization uses to adopt and implement strategy? Top down or bottom up approach?

3. How are you involved in the strategy implementation process? What percentage of your working time do you give to strategic issues?

4. What percentage of co-operative bank's budget is committed to strategy? In your opinion, are the resources allocated commensurate to strategy implementation needs?

5. What has been the role of the CEO in strategy implementation process?

6. How often is feedback on strategy implementation communicated to you/employee?
7. Did the organization anticipate the implementation of agency banking and if so, how was the strategy carried out?
8. Did the organization consider aligning agency banking in line with corporate culture, vision, mission statements and goals of the organization?
9. Was there any consideration that agency banking as a new strategy would be accepted or possibility of resistance from clients and staff?
10. What was done to ensure acceptability of agency banking among its various stakeholders and minimizing possibility of resistance?
11. Did top management support agency banking? If yes, how?
12. What are the major challenges in implementing agency banking as a non-funded income stream in your own opinion?
13. Are staff members involved in planning and implementing agency banking as a strategy?

14. What challenges is management expecting to experience in implementing change and adapting the same in line with agency banking?

15. What challenges have you not responded to?

16. Please enlist incentives' and reward systems used to bolster employee morale during agency banking implementation. How effective were they in motivating employees?

17. What are your suggestions and recommendations?

THANK YOU!

APPENDIX II: LETTER OF INTRODUCTION



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DATE... 12/Oct/2012

TO WHOM IT MAY CONCERN

The bearer of this letter... JUSTUS MUGO MOREITHI

Registration No... D.B.I. / 70012 / 2007

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

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

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

Thank you.


IMMACULATE OMANI
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

